

Nation's Business

A MAGAZINE FOR BUSINESSMEN

JANUARY 1954

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YEAR OF HISTORIC CHANGE

a report to the American people
by the members of

President Eisenhower's cabinet:

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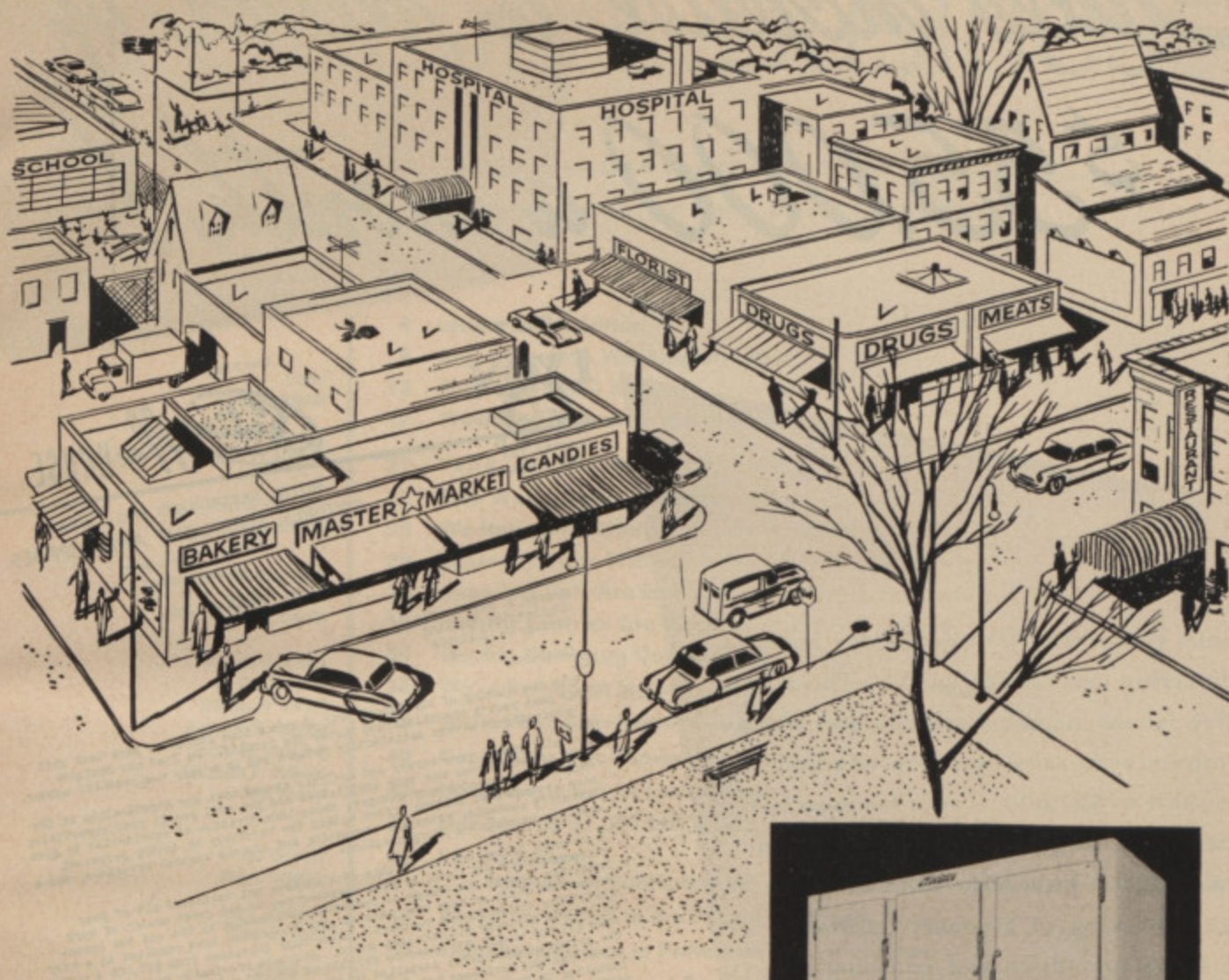
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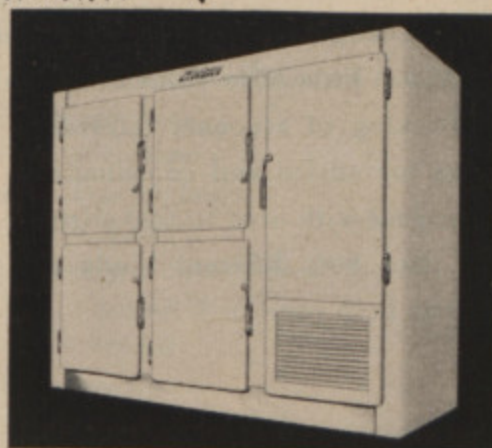
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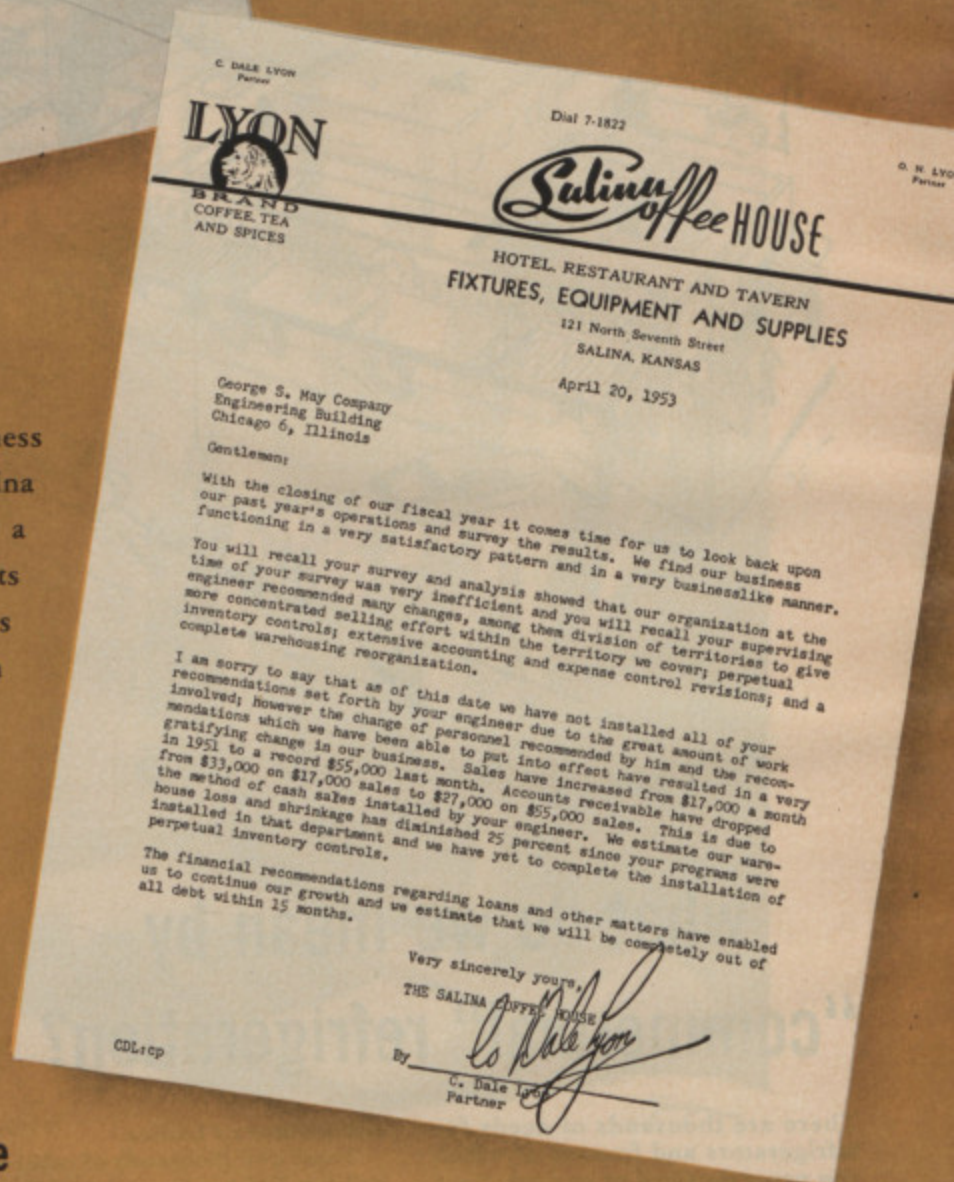
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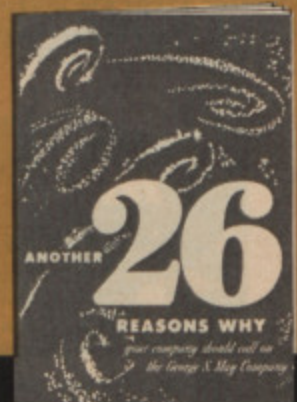
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Nation's Business

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- 4 Letters to the Editor
- 9 Management's Washington Letter
- 13 The State of the Nation Felix Morley
- 17 Washington Mood Edward T. Folliard
- 21 YEAR OF HISTORIC CHANGE:
- 22 Free World Gains Strength Allan Nevins
- 25 We Have the Initiative John Foster Dulles
- 28 Ground Won in War of Ideas Erwin D. Canham
- 30 More Tax Cuts Are Essential George M. Humphrey
- 32 Indirect Controls Are Working Arthur R. Upgren
- 34 We Are Changing Our Strategy Charles E. Wilson
- 36 We're Betting on H-Bomb Airpower S. L. A. Marshall
- 38 Justice Will Ask: Better Weapons to Fight Spies Herbert Brownell, Jr.
- 40 Good Men—Good Lawyers Erwin N. Griswold
- 42 How's Business? A Look Ahead
- 45 Less Loss by \$1,000,000 a Day Arthur E. Summerfield
- 46 Basic Problem:
Business or Public Service? Charles B. Coates & Robert L. L. McCormick
- 48 Resources Return to the People Douglas McKay
- 50 From Paternalism to Partnership Wilbur Elston
- 54 Farm Goal: Permanent Prosperity Ezra Taft Benson
- 56 Benson Seeks a Middle Course O. B. Jesness
- 61 For Business: Support, Not Spoon-feeding Sinclair Weeks
- 62 Specialists Shape Commerce Future Arthur E. Burns
- 67 Labor is Not a Class Apart James P. Mitchell
- 68 Labor Policy Should Be Impartial Clark Kerr
- 72 Coming Soon: New Approach to Federal Aid Oveta Culp Hobby
- 74 Mrs. Hobby's Outlook: Controversies Everywhere Gordon W. Blackwell
- 98 By My Way R. L. Duffus
- 101 NB Notebook
- 106 President Eisenhower Addressing the U.N.
- 108 This Means You

Photographs of Cabinet members by Edward Burks

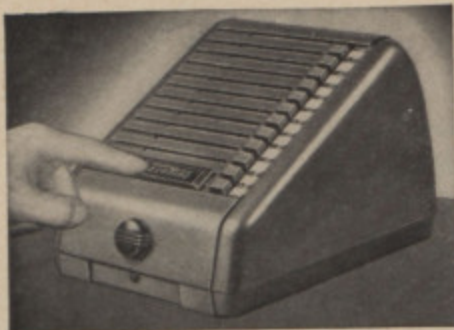
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Letters TO THE EDITOR

Railroads discuss rates

There appears to be an error of 100 per cent in the statement in the November issue of NATION'S BUSINESS that railroad freight rates on coal "are 160 per cent above 1939 levels." The maximum allowable increase in freight rates on coal since 1939 is less than 60 per cent, while the revenue which railroads actually receive has increased still less. The percentage increase in rates on coal has been less than that on freight traffic generally.

This 60 per cent increase in railroad rates on coal is also much less than the increases of 157 per cent in the straight time hourly wage rates paid railroad employees, 141 per cent in the average prices of materials and supplies used by railroads, and 141 per cent in the prices which railroads must pay for fuel coal.

ROBERT S. HENRY
*Association of American Railroads
Washington, D. C.*

The future for coal

As I have been working for some years with the coal executives of southeastern Kentucky, I was interested in your "Summary" discussing the future of the coal business.

You cannot write about coal's future and forget atomic fission development for it is here, now—not away out in the future. Cost of production is high and, it appears, will go higher to meet demands of organizations.

Oil, gas and atomic fission are and will make great inroads in the coal markets—but if the coal men will go into the oil and chemical business the field is then wide open. I have preached that all over southeastern Kentucky. Conversion plants are expensive. But so are dwindling markets. It is a matter of choice for those who look to the future for their product. Jet planes and diesel motors burn oil and great quantities of it. There is the real market for coal, as oil. We need to stockpile many chemicals which may be derived from coal.

MARVIN W. KRIEGER
Johnson City, Tenn.

A tool for leaders

Morton M. Hunt's article "Let The People Lead the Town" had much wisdom and food for thought.

We need a Dr. Max Wolff in Jacksonville as we badly need a parking project, an auditorium, new court house, new schools and an economical city government. Bond issues have been voted but the money is squandered so that the public has become leery of any municipal improvements.

I think the time has come for more citizen participation in government

and less "closed corporation" among the politicians.

JACOB F. BRYAN, III
*The Independent Life and
Accident Insurance Co.
Jacksonville, Fla.*

And

There is so much logic in the idea of getting popular support for community projects from citizens at the outset and "Let the People Lead the Town" is so well written that I would like to provide a copy for each one of our officers, directors and committee chairmen. It might even be worth while to hold a special meeting to discuss this article to see if we in Stamford can come up with a "grass roots" program such as those described in the article.

DEAN BROSSMAN
*Stamford Chamber of Commerce
Stamford, Conn.*

And . . .

We have the same problem regarding housing. Our own firm had to build apartments in order to obtain employees and we even have allowed the principal of the local high school to live in one of our apartments as he was unable to obtain suitable housing for his family and would not have stayed otherwise.

We have very little civic pride in our community and as I have recently been elected mayor, I am very much interested in doing something to improve this situation.

EDWAY REDD
Monticello, Utah

Also

In our county we have twice within the last year failed to put across worthwhile public projects for just such causes as you described in your article.

I am program chairman of our Rotary Club to cover the period of January, February and March, 1954. We would like very much to have a talk before our club on how to promote public projects to a successful end.

E. W. CREDICOTT
*Freeport Dairy Products Co.
Freeport, Ill.*

No profits until taxes are paid

In the November issue of NATION'S BUSINESS you talk about "profit before taxes."

I am wondering if it is not time to eliminate this phrase from our thinking. Is it not true that taxes have become as much a part of doing business as salary and wages, and that one cannot think of profits in a business until all current operating costs, including taxes, have been paid?

The term as we normally use it is misleading and has been used to mis-



THAT'S A TRANSISTOR, invented at Bell Telephone Laboratories. This tiny electronic device can do many things that vacuum tubes can do and more besides. Though little larger than a coffee bean, it can amplify electric signals 100,000 times.

She's Holding a Five-year-old Granddaddy

The *Transistor* was announced only five years ago but it is already the daddy and granddaddy of many promising offspring. All of the growing uses of this tiny electronic device stem from its invention at Bell Telephone Laboratories.

Seldom has there been an invention with such exciting possibilities in telephony and in other fields. A recent issue of *The Reader's Digest* calls it "The Fabulous Midget" and reprints these

words from an article in the *Science News Letter*: "In less than half a century, the electronic tube has changed the world. The effect of the transistor on our lives may be equally potent."

The Bell System, in accordance with its established policy of making all of its inventions available to others on reasonable terms, has licensed forty companies to make and sell transistors. These include makers of advanced

equipment for defense, as well as radios, television sets, computing machines, hearing aids and electronic apparatus.

One of the first uses of the *Transistor* in telephony was in the new electronic equipment which enables telephone customers to dial Long Distance calls from coast to coast.

We can already see the time when it will bring many other improvements in both Local and Long Distance service.

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Of service to many

"Slum Towns are Going" as part of this library would be seen by interested staff members and also many others. In effect, this is a depository type item which will be preserved for long-term reference use.

ANTHONY F. RUNTE
Librarian
New York City

Waiting factory sites

The article "Treasury May Broaden Tax Write Off" indicated that tax write-off programs may be broadened to encourage and attract small industry.

One hears much about the decentralization of industry and the need for it, but apparently there is no easy way for a community to attract industry.

Most any of our smaller towns would be ideal locations for small factories employing 50-100 men or women. However, we know of no easy avenue to get and promote it.

Each year more and more people are leaving farms. As the young people grow up—they're not needed due to mechanization on farms and most of them go to cities to seek employment.

Small towns provide a very stable labor supply. People in these agricultural areas are ideal candidates for mechanical factory work. They are industrious and would be ideal workers.

C. C. LEHR
Gackle, N. D.

No fear of Russia

Mr. Morley's article on Germany is the most encouraging thing I have read in a long time. I was amazed to note that "the German mark today possesses a purchasing power as high as it had in 1913." I wish every voter in the land could read this article. I am not so much afraid of Russia as some of my friends, because of my abiding faith that our American free enterprise system is superior to the Russian system.

HOWARD BLANCHARD
Washington, D. C.

Texas demurs

In the article "Highways Win Their Cold War" you state that snow and ice are likely to cripple transportation by highway almost everywhere in the United States with the exception of southern California and Florida and the southwestern part of Arizona.

A snow fall is an unheard of occurrence in the Lower Rio Grande Valley of Texas. The climate in this four county area is semitropical and snow-blocked roads have never been seen. At this time we are harvesting green beans, tomatoes, roasting ears and that luscious red blush, ruby-red grapefruit.

J. E. BELL
Harlingen, Texas

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► IT'S TEST YEAR for business.

1954 will show if U. S. economy can stay on high plateau, steer clear of peaks and valleys.

Here's view of Dr. John D. Clark, former vice chairman of President's Council of Economic Advisers:

"Consolidation of forces" is new key to business climate—harder selling, cost-cutting, better quality, new markets—to cement firm base for future.

He discounts boom-bust trend talk, says we'll have fewer firms started. But fewer failures, too.

Here's what he lists as husky underpinnings for over-all economy:

Full-employment policy; ever growing population; continued profit opportunities; added markets, products.

Note: Dr. Clark authored NATION'S BUSINESS economic outlook for 1953, rang bell in almost every particular.

► CAR MAKERS, DEALERS shed no tears over growing auto graveyards.

They figure if 4,000,000 jalopies are junked this year, this will make room for two thirds of their '54 production.

Here's what they go on: Nearly 3,-500,000 cars went to the scrap heap last year.

That figure's expected to grow with more new models available.

Automobile Manufacturers Association has brought up more ammunition:

Nearly one quarter of cars in use last year were 10 to 15 years old; another 10 per cent came off assembly lines in the early and middle '30's.

Add 'em up—and you have a replacement market of one third of all autos now on the highways.

► NONFARM INCOME'S big boon to farmer.

In year just ended, farm people received more than \$6,000,000,000 from nonfarm jobs, investments, services.

That's nearly half year's net income.

Note: Even on large commercial farms more than 25 per cent of income derives from nonfarm sources.

What does this cushion mean to business generally?

It explains why farm purchasing power stays comparatively high despite recent price drops in farm products.

Also explains why purchases remained high in '48-49, when drop was sharper.

Add up these factors when you're looking at the farm market:

More than half farm dwellings are 25 years old or older; more than half have no running water; only a third have inside toilets, bathing facilities; one eighth have home freezers; about half have coal or wood cooking facilities.

► KEEP YOUR EYE on January sales.

They're planned to take up slack between holidays, spring promotions.

But remember: Limited categories are stocked for "white sales"—household soft goods, some furniture, others.

If you see big appliance, luxury item promotions, it probably means your retailers overbought for Christmas trade.

► YOU'RE HEARING more about labor surplus areas.

Spotty unemployment, in short.

Ever thought what investment it would take to eliminate these areas?

Labor Department experts won't be quoted publicly. They talk privately about figures in the neighborhood of \$2,000,000,000.

Areas involved:

Mining regions in Pennsylvania, West Virginia, textile towns in New England, some single-industry communities in Midwest.

Government expects private industry to carry the load.

► SMALL BUSINESS gets most dollars from Army contracts—and will get more.

That's in Pentagon mill now, getting scrutiny of new Specialists Council.

During past fiscal year, prime contracts judged suitable for small business totaled \$2,583,484,000, or 36.5 per cent of total processed.

Large firms handle 63.5 per cent of total or \$3,552,398,000—but pass on much of it to small subcontractors.

Result: Small firms handle 56 per cent of Army procurement dollar.

Council's looking now at area where contracts were judged OK, but weren't awarded.

These amounted to \$940,875,000, or 13.3 per cent of total awards.

► BUTTER SURPLUSES may soon be a thing of the past.

That's inside information from the

Agricultural Advisory Committee.

Public announcement's due to be made as spring milking season nears.

Only problem currently under study at Agriculture Department: Which of two plans to adopt—or a combination?

One would establish two-price system for foreign disposal of surplus.

Other would resell stocks on hand to domestic markets, pay dairy farmer difference for loss when price drops.

Either way, CCC's bound to lose money—but Administration's determined to get rid of butter, at smallest loss possible.

Privately, agriculture spokesmen remember what happened to Democrats and potatoes.

► NEW PUBLIC WORKS agency takes shape.

It's idea of closest Administration advisers, may be formally announced this month.

Council of Economic Advisers, Office of Defense Mobilization, other agencies, have public works projects on the shelf.

They'll be dusted off if and when serious signs of recession appear.

But they're too scattered among many agencies—might lose immediate impact.

New agency (still unnamed) will pull them together, coordinate program.

Note: Close cooperation of Army Engineers, Reclamation Service of Interior Department—long bitter feudists—shows Administration's seriousness on anti-recession projects.

► AMERICANS ARE on the move.

In 1953, more than 36,000,000 U. S. citizens changed their addresses—more than 22 per cent of our population.

It's boom business for the moving men—but it's more, too.

Nearly one third of all Americans between 18 and 34 moved in course of '53.

Professional and skilled workers moved most.

Why the trek—and what's significant to economy?

They're looking for better homes, better jobs, better health, better living.

All states save one have shared in the migration, but here's the trend:

While population has jumped about 16,000,000 in past six years, residents of suburban areas and small towns

within commuting distance of big cities have increased by 17,000,000.

In other words: Suburbia is growing faster than the country as a whole.

Note: North Dakota—essentially farm state—is only one not growing now.

► CORPORATIONS FACE higher tax bills.

That's if social security increases stay in effect and if present 52 per cent corporate rate is maintained.

Here's how a Treasury official outlines it:

Firms earning \$25,000 or less get tax saving if payrolls subject to social security are less than 4.2 times taxable income.

Firms earning more must have payrolls less than six times taxable income—if they aren't subject to excess profits tax.

Note: Treasury says even drop in corporate rate may not be enough to absorb social security boost.

Note, too: In 1940, corporate income tax took two cents of every sales dollar; in '53 figure rose to five cents.

► LABOR PEACE—or unrest—hangs in balance this year.

That's fast becoming view of government, union leaders, industrialists.

The reason?

Guaranteed wage demands.

Here's one union argument you'll be hearing—it's been mentioned, but full treatment's still to come.

In 1930's unions signed about four guaranteed wage contracts annually.

After World War II, number jumped to about 20 a year.

Union leaders say: Guaranteed wage demands are now in same "historical position" as pension contracts a few years ago.

Industry counters: Early wage guarantees guaranteed nothing, except in a few cases; most old contracts are dead.

► COMING UP—special tax relief.

These are items off the fire, ready for serving when Congress reconvenes:

More liberal medical deductions; dependency credit for child earning more than \$600 a year—if you provide more than half his support; extra exemptions for working widows; partial elimination of double tax on dividends.

Congressional experts who whipped

washington letter

these together say they'll go through even if over-all tax revision doesn't.

► **TOUGHER SELLING** means more salesmen's excuses.

Maybe you've heard them already—certainly you've heard them before.

Remember 1940? Then it was: "War's around the corner."

Remember 1945? "Postwar conversion now—let's wait till normal."

Salesmen who brought back those "good reasons" from prospective customers lost out on \$2,000,000,000,000 worth of business done by salesmen who sold the customers who "wouldn't buy" during those years and since.

What are you hearing now? Readjustment? Recession? Leveling-off?

Tell 'em about the two trillion dollars.

► **REVENUE BONDS** keep bloom on building boom.

They're a new multibillion dollar business for states, municipal governments who want local action on needed improvements.

In '44, total bond sales of this type were less than \$750,000,000.

In '54, they'll top \$5,000,000,000.

And the end's not in sight. Even if federal government steps out of many projects, states and towns can take them over.

As long as revenue is collected, bonds will keep construction outlays at high level.

► **INVENTORY PILE-UPS** ease.

That's not necessarily because of dim business outlook.

Survey in Philadelphia area (both durable and nondurable goods) shows 69 per cent of 416 firms plan to keep inventories at present levels.

One reason: Raw materials are in good supply.

When that's true, it's customary to avoid stockpiling.

About 25 per cent of firms surveyed plan to decrease stocks, while about six per cent plan to expand them.

Note: The 25 per cent planning a cut hold 43 per cent of stock value; the group planning an increase holds less proportionate share of inventories.

Note, too: For past two years, with shortages of raw materials in many

lines, producers overbought to assure uninterrupted production.

The fact they've attained those objectives doesn't mean business dip.

► **GOVERNMENT CAN AID** business more by tax relief than credit expansion.

That's feeling of small firms generally, according to data available from American Bankers Association.

Only 9 per cent think government should facilitate loans; only 7 per cent say they couldn't get needed funds.

Sample of banks shows 5,500,000 loans outstanding, averaging under \$2,500.

► **COMMODITY PRICES** are two-way indicators.

That's evident from fact that declines in some lines over past two years offset advances in others.

Result: Over-all effect is nil.

Examples: Price of soap ingredients shows dip—but that goes along with phenomenal rise in detergents.

Wool, cotton, other fibers also slide—but at same time synthetic fibers show tremendous growth.

► **BRIEFS:** Coffee vending machine makers get a "break" from the "coffee break"—they see a \$250,000,000 a year business selling 20,000,000 cups a day via the automatic dispenser. . . . Post Office Department says it will handle 329 pieces of mail per capita this year—up from 210 since 1940, gain of 51 per cent. . . . Several hundred delegates start study of highway safety problems at White House conference February 17-19. . . . Drop of 15 per cent in industrial production would be less than decline during 1949 downturn, Federal Reserve Board points out; manufacturing employment would have to drop 14 per cent to equal recession of '49. . . . America's motels now number 50,576—an increase of 7,220 in past three years. . . . While defense needs take only 14 per cent of national output, they're vital in durable goods area: Military hard goods cost \$21,000,000,000 in '53, about equal to total business purchases of machinery and equipment. . . . Pay of top executives last year increased less than one per cent, while average earnings of production workers went up 7.4 per cent, not including fringe benefits.



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OF NATION'S BUSINESS Trends

THE STATE OF THE NATION

BY FELIX MORLEY



IF ONE asks a definition, in two words, of just what this nation's business is, some people will always answer glibly: "making money." The more thoughtful, however, are likely to say: "constitutional government." And they are right.

For while Americans as individuals busy themselves in thousands of different occupations, one common foundation underlies all of these gainful activities. Every American earns his or her living within a political system of rules which are carefully based on moral principles. These rules, moreover, cannot properly be altered in any respect without prior notice, public consideration, and majority consent. And, where the fundamentals of freedom are concerned, the rules set forth in the organic law are supposedly immune from any arbitrary distortion.

Commonplace as that system seems to us, it is one that was never attempted anywhere before the United States came into being. Even today, nothing like it is found in the larger part of the world. And in many countries where constitutional government has been tried it has not lasted long. As the age of nations is measured, our republic is still relatively young. But its Constitution has endured, of course amended but not essentially changed, longer than that of any other people who have essayed the exacting task of governing themselves.

That which is old is not, however, necessarily venerable. And while the Constitution is still generally regarded with reverence there has been, at least since the great depression, a good deal of

freely expressed doubt as to its adequacy for the needs of today. More insidious, there has been in high places a tendency to ignore the organic law altogether, to proceed on the assumption that emergency conditions demand and justify direct action. Such undermining implies that, while the Constitution is satisfactory in fair weather, it should be abandoned in times of storm. The result of that attitude is to leave an insecure façade while the very foundations are being eaten away.

• • •

Increasing cynicism as to the value of the Constitution is paralleled, and probably in large part produced, by educational indifference. This can be demonstrated by comparing the college catalogs of today with those of 40 years ago. Currently far more courses are offered in every conceivable subject. Those in the field of science are as immeasurably superior as is the equipment of the laboratories. And there is certainly a host of offerings purporting to give instruction in governmental organization, administration, finance, taxation and accounting, to say nothing of foreign policy, international relations and "world government."

But courses on the American Constitution as such, explaining the principles that underlie it and examining the great cases that affected its evolution, are now for the most part a specialty of the law schools. What the average undergraduate examines today in the field of his own political system is not its history, its philosophy or its spiritual

improvised to provide federal handouts, both at home and abroad.

In the year just closed, however, this trend toward superficiality, away from fundamental principle, was checked. Something took place that promises to restore an actual interest in the basic design and scheme of American government. More than a single cause was clearly involved in this encouraging change. In naming some of them, no order of importance is intended. Such classification must wait on the detached study of future historians.

• • •

One factor, certainly, was the shift of Administration. For all who have come to maturity since 1932 this gave tangible evidence that the Administration and the government in our country are not one and the same. A new Administration came in, but government was uninterrupted. There was no such convulsion as shook Russia when, in the same year, a new dictator took over. There was little of the almost oppressive pageantry staged in Britain, also in the same year, to dignify the coronation of a new monarch. Quite easily and naturally our country moved from Democratic to Republican leadership. Here was an object lesson in the value of a Constitution which emphasizes the supremacy of impersonal law. And some gave credit to the almost forgotten men who had devised that system.

But men who are still prominent in the public eye were also instrumental in starting the movement back to constitutional government. President Eisenhower, though he constantly emphasizes that he is no expert in this field, has nevertheless consistently shown deep understanding of our system, as in his firm refusal to encroach on the prerogatives of Congress. Doubtless the influence of Senator Taft, whose knowledge of American government was profound, was of enormous initial help to Mr. Eisenhower here. But five months have now passed since Taft's untimely death, with no visible weakening of the President's determination to be a strictly constitutional executive.

Another reason for the improving appreciation of our form of government is the communist challenge, both foreign and domestic. Obviously Americans abroad cannot effectively counter the theory of one-party dictatorship unless they can prove the superiority of our balanced system. To emphasize the purely material benefits of free enterprise is not enough. In consequence, many of our officials have been forced to give careful consideration to our own political theory, and to reflect more thoroughly than heretofore on its merits.

In this connection there is perhaps a silver lin-

ing to the sordid disclosures of communist infiltration. People naturally wonder how so many native Americans could be treasonable to their own political inheritance, in behalf of a system so obviously crude and ruthless. The answer, of course, is that widespread indifference to our own political advantages which the size of the nonvoting electorate itself indicates.

Well placed American youths turned communist, in substantial numbers, because they were never exposed to fundamental American thinking, either in their well furnished homes or in their well equipped schools.

The espionage exposures of 1953 have undoubtedly helped to reanimate interest in the qualities for which this republic stands. But whether that change will be of permanent value is still doubtful. The efficiency of the FBI and the resolution of congressional probers certainly cannot determine the outcome. Nor does it depend on the outcome of elections, since both parties contain leaders of scrupulous integrity, and both contain calculating demagogues.

• • •

Much more than on our periodic elections the future of constitutional government in the United States depends upon the home, the school, the church environment. If children are brought up to esteem the old-fashioned virtues they will naturally esteem our form of government, based on the assumption that men must learn how to govern themselves before they can successfully govern others.

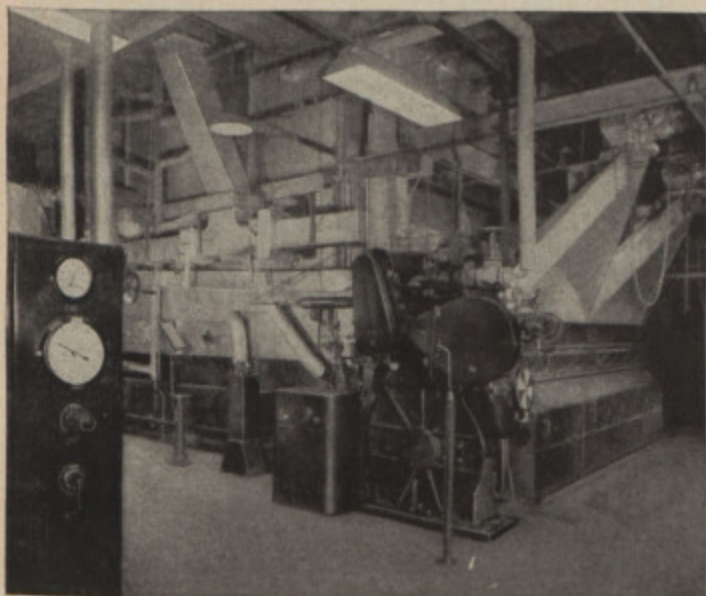
If, on the other hand, constant excitement and shoddy entertainment is the domestic diet, and if the educational emphasis is all on rights at the expense of responsibilities, then inferior citizenship as well as juvenile delinquency may be expected. And in that case the eventual preference will certainly not be for the American form of government, which can return to the people only what they themselves voluntarily give to it.

Finally, it seems essential for adults to regain that thoughtful interest in fundamental political principles which has been so largely lost in recent years. The tendency to let discussion degenerate into vituperation, to condemn the motives as well as the practices of all with whom one disagrees, is definitely dangerous. It could tear not only our political parties, but also the nation as a whole, to pieces. One civil war was more than enough.

As foreign observers have long pointed out, our political system is one requiring a high degree of moderation and discernment, as well as mere factual knowledge. To maintain the republic these virtues must be continuously exercised, and not merely by the President alone. The change for the better last year will not be permanent, in other words, unless the majority of Americans take pains to make it so.



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WASHINGTON MOOD

BY EDWARD T. FOLLIARD

THE EIGHTY-THIRD Congress begins its final session in an atmosphere quite different from that of a year ago.

Political war clouds hang over the Capitol. The spirit of partisanship, dormant at the outset of 1953, promises to be intense in the days ahead. Almost every piece of legislation in sight—but especially legislation having to do with a higher ceiling on the national debt, taxes and agriculture—is charged with controversy. The prospect is, therefore, for a noisy, angry session, which may have a profound influence on the 1954 elections—and on 1956 as well.

The winter dinner of the Gridiron Club, a gay prologue to the new session, satirized for President Eisenhower and other guests the big problem of the Administration. The theme song was "*Manana*," and it lampooned the Administration for having put off so many things till "some lovely tomorrow"—problems that have been under study by commissions and other special groups.

President Eisenhower is keenly aware that tomorrow now is here, and he is eager to make good on his promise of a dynamic, forward-looking program. He doesn't agree with those who think the Republican party can remain in power simply by calling attention to the past sins of the Democrats, including their handling of the communists-in-government problem.

Until November, the Republicans had assumed that the voters would be patient, would understand that a party out of power for 20 years needed time to formulate and carry through a legislative program. Then came G.O.P. defeats in special elections in Wisconsin and New Jersey. These reverses shocked them into a realization that Americans are not by nature a patient people.

Looking ahead, the Administration has three major worries so far as Congress is concerned. One is the size of the legislative program; it is really enormous, partly because of matters that were passed over in the last session and partly because of matters that are just emerging from the study stage. Another worry is the void caused by the death of Sen. Robert A. Taft. The stalwart Ohioan

will be sorely missed, and by nobody more than President Eisenhower. The third concern has to do with the attitude of the Democrats, who gave considerable support to the Administration in the past session.

Adlai Stevenson has warned that "it will be harder" for Democrats to go along with Ike this time. He was referring to the sensational attack which Attorney General Herbert Brownell made on former President Truman in connection with the Harry Dexter White case.

There are Democrats in Congress, especially southerners, who have no great love for Harry Truman. Almost to a man, however, they were outraged by the Brownell attack. It might have been different if Mr. Brownell had said in the beginning that he was not impugning Mr. Truman's loyalty. He did say that in the end, and explained that what he was trying to show up was the former President's laxity and blindness, but this was after President Eisenhower had in effect defended Mr. Truman's patriotism.

One distinguished southern senator remarked that Mr. Brownell treated Mr. Truman like "an ordinary chicken thief."

Aside from sentiments like these, there were two chief reasons why the Democrats were angry with Mr. Brownell and the Administration of which he is a part. They sincerely believe that Mr. Truman, whatever his faults and shortcomings, deserves to be regarded as the No. 1 foe of Russian imperialism, a leader who, in Mr. Stevenson's words, "has done more than any living man to check the forward thrust of communism."

The other sore point with them is a feeling that Mr. Brownell sought to make it appear that Democrats are less concerned about the national welfare than Republicans.

Whatever difficulties the issue may cause in Congress, most Republican strategists feel that the Brownell attack on Mr. Truman was a bull's-eye and will pay off later at the polls. It certainly did much to buoy up the G.O.P. professionals. And from all the evidence at hand, including the Gallup poll, the public felt that Mr. Brownell came out on top in the imbroglio.

This being the case, it looks as if the spy hunters

in Congress will be much in the headlines throughout this session.

President Eisenhower doesn't quarrel with the right of congressional committees to explore this field. However, he does think that the primary responsibility of cleaning up the executive branch of the government is his, and he feels that he is doing a good job in carrying it out. He expects, as he told a news conference, that the issue of communists in government will be dead by the time of this fall's elections.

It is no secret that most of General Eisenhower's associates were sore when Sen. Joseph R. McCarthy said flatly that "Communism is an issue and will be an issue in 1954," and then went on to accuse the Administration of having "struck out" in some cases of alleged subversion. They were also irritated by his criticism of the Administration's handling of foreign policy.

Some of the Washington pundits, after listening to the Wisconsin senator's bold speech, predicted that an Eisenhower-McCarthy battle was "inevitable."

What ensued was not quite the crackdown that some here had expected, or, in some cases, hoped for. True, the President joined with Secretary of State Dulles in repudiating Senator McCarthy's proposed method of dealing with our allies, and he insisted a second time that, by autumn, people will "no longer be fearful that communists are destructively at work within the government."

However, neither the President nor Secretary Dulles mentioned Senator McCarthy by name. They seemed to be trying to tell this country and the whole free world that the McCarthy policies were not necessarily their policies, but without provoking a knockdown fight with the senator.

Intimates of the President say that he is not an admirer of Senator McCarthy, that he finds it hard to forgive the harsh things the senator said about Gen. George C. Marshall in 1951.

However, it is realized at the White House that Senator McCarthy has an immense following, in and outside of Wisconsin. Its size is not known with any degree of accuracy, but certainly several millions of Americans think that Senator McCarthy is doing a good job in hunting down traitors in the government. They seem not to care too much about the criticism of his methods or the charge that he is a headline hunter who is out to glorify himself. They are "for" Joe, and that's that.

The President and others in the Administration have been very careful of their language in dealing with Senator McCarthy. There is a conviction at the White House that the pro-McCarthy people are also, for the most part, pro-Eisenhower people. The aim, therefore, is that nothing be said or done

that will lead any of these people to suspect that the President is "soft" on communists or is any less eager than the senator to root them out of the government.

General Eisenhower's associates say that if he ever does crack down on Senator McCarthy in a big way it will have to be on an issue which will bring applause from Americans generally.

The Chief Executive puts one thing ahead of all others just now, and that is action on the Administration's legislative program. Some parts of this are going to be embarrassing, as, for example, the request for a \$15,000,000,000 increase in the ceiling on the whopping \$275,000,000,000 debt. The Democrats will not pass up this chance to remind the Republicans of their 1952 promises about budget balancing and debt reduction.

As was noted at the outset, just about every piece of legislation on the agenda is likely to kick up a rumpus: tax revision, cancellation of the Jan. 1 increase in social security payroll taxes, social security expansion, statehood for Hawaii (unless Alaska is included), reciprocal trade, revision of the Taft-Hartley Act, farm price supports, the St. Lawrence Seaway and many others.

One thing to look for in this session is a change on the part of the Democrats with respect to taxes. Now that they are the "outs," they may be expected to demand more and bigger tax cuts, just as the Republicans did in a similar position.

The farmer (and his vote) will be dominant in the thinking of both Republicans and Democrats in this session. Both realize that the farmer has the power to decide who will control the Eighty-fourth Congress. Both realize, too, that the farmer cares little for party regularity when his income is at stake.

All in all, it looks like one of the most turbulent sessions Capitol Hill has seen in a long time, with 435 members of the House and one third of the senators trying to convince the folks back home that they ought to be elected for another term.

However, turbulence and political ambition do not necessarily add up to a bad or do-nothing record. There may be exceptions, but the average member of Congress is a pretty sober fellow, with a keen sense of responsibility.

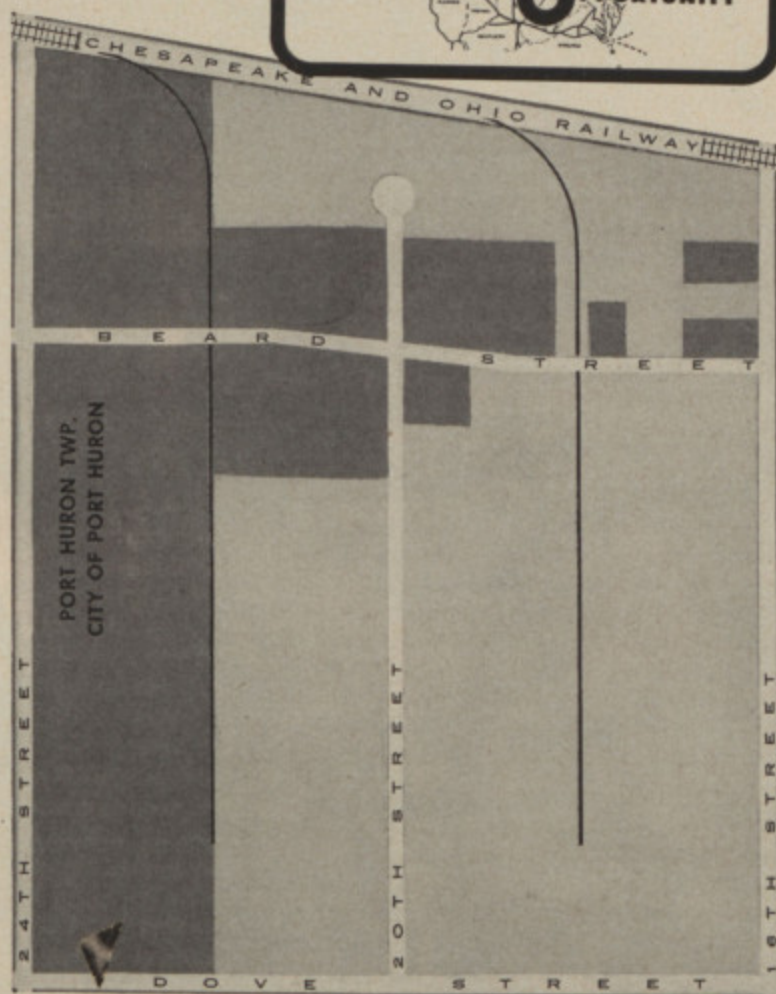
Adlai Stevenson, having said it will be "harder" for Democrats to work with Republicans this time, gave this advice to members of his party in Congress:

"In spite of the difficulties, I respectfully urge that we persist in the constructive pattern the Democrats have established and resist the temptation to oppose for the sake of opposition. The business of the minority, of a loyal opposition, is still the government of the nation, not its injury, to win empty political victories. Our party exists to serve the country, not the office seekers."

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The American people are being led today by a group whose political philosophy contrasts sharply with that held by those who have led us for the past 20 years.

Many of the changes to result from the election of 1952 are yet to come, but the turning point year, the shift from one concept of the art and science of politics to another, now nears completion.

The influences of the shift already affect every one of us in our daily living, in our business, our welfare. They affect also hundreds of millions of persons in other lands.

What is this change? What are these effects? Has there been a historic shift, or is it really just a change in the headlined names? If a change has come, how does it influence you and me?

In war and in other catastrophic events situations that make history stand out in clear relief. In peace history may be made by the adoption of, or change in, policies. These changes or adoptions are less clear, less dramatic. They may be even confusing. But their effect may be greater nevertheless.

To bring into focus the movements of this past year, Nation's Business has asked those who are making them to highlight these movements. We also have asked Allan Nevins, one of our great contemporary historians, and other scholarly and qualified men, to set forth their views about what is taking place as the result of this first year of a new executive branch.

It is not our purpose here to defend or attack, but simply to report on the

YEAR OF HISTORIC CHANGE

**YEAR
OF
HISTORIC
CHANGE**

FREE WORLD

That's Administration's greatest

PRESIDENT Benjamin Harrison spoke once of the state of mind which always wanted the millennium, praying, "Lord, have mercy, and have mercy quick." We must not ask for too many quick achievements. It is clear, however, that the Eisenhower Administration is very different from those which preceded it. Business, for better or worse, has come back to a prominent place in policy-making. The heads of government regard harmony as a prime consideration. The individual leadership of the President counts for less, and staff-conference planning for more. The Executive treats Congress with greater deference. The whole tone of government has changed—and this fact justifies a critical if tentative appraisal of the first year.

We ask a great deal of all our Presidents. We ask, first, that they believe in America: its unique character, its shining traditions, and its exalted role in world affairs. Of the greatest, we ask that they believe fervently in the people; as fervently as did Jefferson and Lincoln, and we ask that they believe in creative leadership, guiding a process of pragmatic change to fit the rapid national development. We expect our best Presidents to put behind these beliefs imagination, practical sense, courage, and not least of all, a political instinct. A good President thinks of the whole people, not of party. But as Theodore Roosevelt wrote while in the White House, among free peoples it is only in exceptional circumstances that a leader can do his country much good if he is not an effective politician as well as a statesman.

We do not know yet what rank Eisenhower will take among the Presidents. But the country has always believed that he had sufficient stature to be subject to these critical tests. Lincoln said: "Some men grow; other men just swell." Eisenhower has grown, and it is still the general feeling that he looms sharply above his associates.

The Administration came into office amid exceptional problems. For two tumultuous decades the Democratic party had been in power, drastically reshaping the nation's policies, domestic and foreign. Tens of millions had grown to maturity knowing no other guidance. We must go back to Grover Cleveland's inauguration in 1885, after a quarter-century of Republican domination, to find a parallel situation. The Administration inevitably had to accept much that the New Deal and Fair Deal had done as a *fait accompli*. Simultaneously, however, it faced an embarrassing demand from millions of Republicans that it demonstrate its independence of the past, reverse

Democratic actions wholesale, and strike out on bold new paths. Throughout its whole first year it has had to tread a path between this strident demand and the necessities of the situation.

President Eisenhower took office, moreover, under two special disadvantages. One grew out of our regular pendulum-swing of power as between the two chief branches of government. Congress, which had lost so much ground during the Roosevelt and Truman Administrations, was determined to assert its ancient rights. The Bricker Amendment limiting the treaty-making power and the battle of Representative Reed to force a tax cut against the new Administration's wishes were but two symptoms of the demand of Capitol Hill that its old equilibrium with the White House be restored. Senatorial leaders in particular—Taft, Knowland, Bridges, and others—were determined to resume their old governmental powers; and their jealous attitude was strengthened by a sense that the incoming businessmen were very green. All over the free world parliaments were taking a stiffer position.

President Eisenhower's second disadvantage was hardly less important. He was the first military chief-tain since Grant to gain the Presidency. He knew the American temper too well not to understand the latent distrust of military men in high civil office, which Grant's disastrous terms had done much to confirm. Himself the least military-minded of generals, Ike was aware that he could make no peremptory gesture without touching a sensitive nerve. Not for him T.R.'s Big Stick, or Woodrow Wilson's schoolmasterly whip-cracking! Burke remarked that no leader should think of his country as a piece of white paper on which to "scribble what he pleases," and a general has to be especially careful. This consideration doubtless reinforced Ike's leaning toward suasion and conciliation.

But the Administration had its advantages, too; and the greatest of all has seldom been noted. It was the fact that for the first time in its history the United States had emerged from a great war without a moral slump, a loss of nerve. No repetition of the humiliations of Reconstruction or of Return to Normalcy has occurred. The people were dismayed by the revolutionary changes of the time, and appalled by the insecurity created by the atomic and hydrogen bombs. They were disillusioned when, after all the sacrifices of World War II, they found the wine of victory mixed

GAINS STRENGTH

achievement so far. On the domestic front—here are six charges

By **ALLAN NEVINS**

with the gall of new conflicts. But they had not surrendered to querulous defeatism, or materialism, or neoisolationism. The American people maintained their courage and idealism.

They did this because they had achieved a maturity unknown in 1865 or 1921. They had been educated by events, and by the innumerable institutions, associations, and groups which for a generation had hammered home the ideas of social responsibility and world involvement. President Eisenhower's task was easier because the spirits of Root, Wilson, Wendell Willkie, and Stimson brooded over the scene. Whatever the election of 1952 meant, it did not mean Reaction. The new President was aware that most Americans liked pioneering at home much better than pioneering abroad, that they were worried by the huge national debt and high taxes, and that they wanted some relaxation of controls. But the country had learned that continued effort offered the only safety. When Eisenhower said, "We are living not in a moment of danger, but an age of danger," everyone except a few knew he was right. The nation was not happy, but it faced up to the job.

The new Administration had other advantages. One was President Eisenhower's enormous personal prestige, his well earned popularity with rich and poor, North and South. He was no mere military hero like Grant; his experience was rather like George Washington's because he had had to display qualities of leadership in complex relationships with civil authorities. Even after his disappointing campaign, the country trusted his character, aims, and capacity. Another advantage was the late Senator Taft's display of what some called good sportsmanship, but what should have been termed high statesmanship. The relationship he and the President developed was extraordinarily creditable to both men, and useful to the country.

And the Administration had three signal pieces of luck. One was the fact that Winston Churchill, so warm a friend, so alert an ally, headed the British government. Another was the death of Stalin, temporarily weakening the central authority in the Soviet Union. Finally, the third was the West German election. Chancellor Adenauer had said, "The fate of Germany, the fate of Europe, the fate of Christian civilization, depends on the outcome of Sept. 6"; and that outcome was a rousing victory for the forces of freedom.

In judging the first year it is essential to rise above details, to forget much that seemed important for two or three days, and to put the Administration's failures



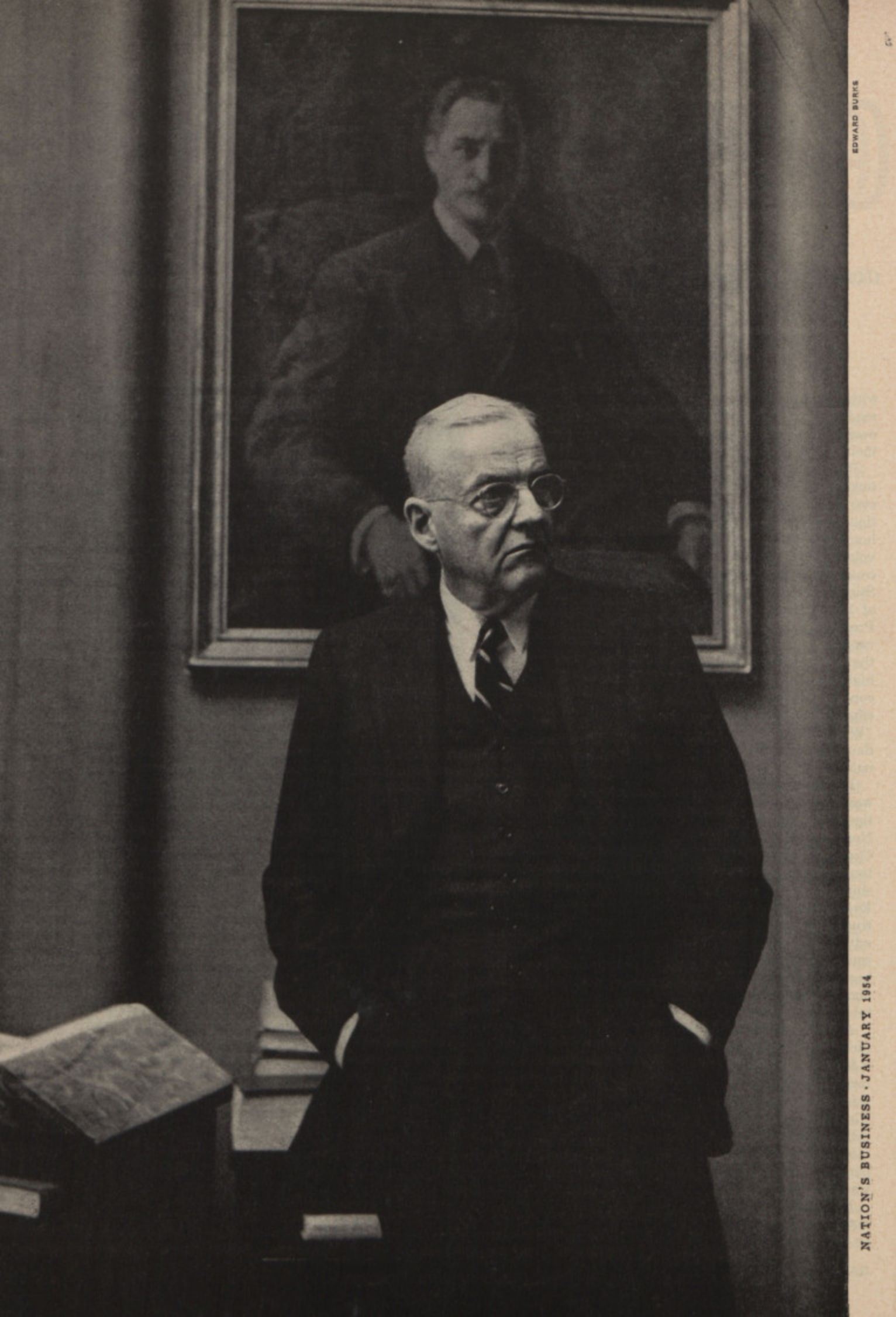
COVELLO—BLACK STAR

Dr. Nevins, professor of American history at Columbia University, is author of "The United States in a Chaotic World" and other histories. His biographies of Grover Cleveland and Hamilton Fish were awarded the Pulitzer Prize

and achievements in due perspective. In detail, every Administration is open to harsh criticism. It would be easy to prove Lincoln a failure on many points of bad luck, clumsiness, miscalculation, and defeat—if we forgot the cardinal facts that Lincoln kept the country united, freed the slaves at just the proper moment, and chose at last the right generals. It would be easy to prove Harding a great success on various heads—the Washington Conference, economy, the achievements of Secretaries Mellon and Hoover—if we ignored the fact that he let the administration of government descend to the lowest point in our history. For a sound verdict, a sense of proportion is vital. It is the big gains and big losses that count, not the little tactical advances or the minute flaws in the record.

The moment we apply the rule of proportion, one fact stands out in President Eisenhower's record: the key importance of

(Continued on page 82)



WE HAVE THE INITIATIVE

By JOHN FOSTER DULLES

Secretary of State

THE BASIC purpose of our foreign policy is today what it has always been—to protect the interests of the United States. This country has been fortunate during recent years in having a large measure of bipartisan support for its foreign policy. To deserve that support this Administration believes that the American people have the right to know about every part of our foreign policy, about its background, its planning, its intent.

Foreign policy is not the function of an elite corps; it is the result of the democratic process in action. To understand its aims is everybody's business. I consider that I have the obligation to use every means at my disposal to let the American people know about our foreign policy. I have welcomed the opportunity to report to them and to meet and consult with their elected representatives in Congress. To me all this is not a chore but a great privilege. And I hope that it may help us to preserve the precious asset of bipartisan, or to use the word of the late Senator Vandenberg, "unpartisan," support in the Congress.

The interests of the United States are best protected by a world at peace. To bring about and maintain peace is always a dominant and overriding concept of our foreign policy. It is our constant objective to contribute, wherever we can, to removing the causes of international differences. "Peace" to us means more than a mere absence of open warfare. It means a condition of constructive and creative effort. Poverty, fear and ignorance are the source of trouble on which despotism feeds.

In his speech of Dec. 8 to the general assembly of the United Nations, the President gave the world enduring evidence of a sincere desire to eliminate the threat of atomic war and to facilitate the harnessing of the great forces of atomic power for the benefit of all mankind.

Our efforts have been to help to build a world where men can live at peace under governments of their own choosing and where channels of trade, commerce and communication enable men to prosper from the exchange of ideas, techniques and products of their labor.

The objectives of the foreign policy of the Soviet Union have been exactly the opposite. Since 1945, some 600,000,000 people of 15 nations have been forced to live under Soviet dictatorship as exploited prisoners, cut off from access to the outside world.

Where we helped the nations of Europe rebuild from the damages of war, the Soviet rulers refused to participate; refused to allow their satellites to share in

assistance; and attempted to nullify our assistance in Western Europe by fomenting internal disorders.

Where the Soviet Union could not amalgamate the peoples into its orbit, it has tried to create chaos. In Greece, in Malaya, in the Philippines, communist leaders have inspired internal aggression. In Indochina and in Korea they have resorted to outright war.

To counter the Soviet-led, monolithic unity of one third of the world's people, we have had to take the initiative in building up the strength and cohesion of the free nations, so that they could resist communist aggression. We have helped them build their military, their political and their economic strength. Their strength is an adjunct to our strength.

Important as the building of the material strength of the free nations is, it would be useless unless it was accompanied by the building of moral strength. It is the hope and the dedication to high ideals that has given the free peoples the will and the courage to resist Soviet domination.

The Soviet pattern is the pattern of coercion. Its rulers have built a power bloc of 800,000,000 people, all ruled from Moscow, which is the capital of the captive world. The peoples and nations of this captive world have been forced into conformity.

That is not our way. Soviet society cannot tolerate freedom of will and freedom of choice. Our society can tolerate diversity. We have been working and we shall continue to work for unity and cooperation among the nations of the free world. Without unity the nations of the free world would perish. But that unity must not be coerced. Our society must be a society of consent. Its strength is the strength of its principles. The basic principles were written into the Charter of the United Nations: "respect for the principles of equal rights and self-determination of peoples."

The Soviet Union, of course, signed the Charter of the United Nations and has since disregarded it.

Our adherence to these basic principles has led President Eisenhower and me repeatedly to make clear that this country will never give "apparent moral approval of the Kremlin's rule over people of 15 once-independent nations" or make "bargains with their masters that will confirm their captivity."

Our policies are proving successful. The fighting in Korea has ended on terms which establish the prin-

ciple that the weak shall not be the easy prey of great offensive forces. There remains the problem of unifying Korea. The division of Korea is wrong but war is not the way to right such a wrong. We shall have to work persistently and patiently for a solution. Every day I receive great personal gratification when I look at our papers and observe the absence of casualty lists. I am sure that the parents and relatives of our young men find this a source of deep satisfaction after the long and agonizing war in Korea.

We should not overlook other favorable developments in the Pacific area. We have been for some time working out a pattern of security for the Pacific. In 1951, 48 nations signed a liberal treaty of peace with Japan in spite of the Soviet Union's violent objections. In the same year we signed security treaties with the Philippines, Australia, New Zealand and Japan. I had the privilege of negotiating and signing these treaties for the U. S.

Last fall in Korea we worked out the terms of a security treaty similar to those earlier ones. Of course this treaty does not become effective until approved by the Senate. If approved, it will constitute a clear warning that another unprovoked military attack on the Republic of Korea would involve the United States.

This proposed treaty should be considered in conjunction with the declaration of the 16 United Nations countries that fought in Korea. This declaration said that, if the armistice is broken by unprovoked communist aggression, the 16 nations "would again be united and prompt to resist" and that "the consequences of such a breach of the armistice would be so grave that, in all probability, it would not be possible to confine hostilities within the frontiers of Korea." We do not wish another miscalculation about our intentions.

Nor do we wish any misunderstanding about the truce in Korea. We regard the war in Korea as part of the world-wide effort of communism to conquer freedom. Chinese communist aggression was not confined to Korea. It extended to Indochina in the south. Even if the armistice in Korea leads to a political settlement it does not end the United States' concern in the western Pacific area.

On Sept. 2, referring to Indochina, I said, "There is the risk that, as in Korea, Red China might send its own army into Indochina. The Chinese communist regime should realize that such a second aggression could not occur without grave consequences which might not be confined to Indochina. I say this soberly in the hope of preventing another aggressor miscalculation."

As President Eisenhower said in his April speech, the Korean armistice would be a fraud if it merely released communist forces to attack elsewhere. The declaration of the 16 countries that fought in Korea is clear on this point. It said, "We are of the opinion that the armistice must not result in jeopardizing the restoration or the safeguarding of peace in any other part of Asia."

One of President Eisenhower's first acts was to end the so-called "neutralization" of Formosa. This had been implemented by orders to our Seventh Fleet to protect the communist China mainland. It seemed to us that the burden of this protection should be thrown on the Chinese communists themselves and that the U. S. Navy should not serve the communists in this matter.

Last July the French made a declaration of independence for the Associated States of Cambodia, Laos and Vietnam. Today the Associated States and the French are taking practical steps to make that inde-

pendence a reality. The United States has rejoiced that these states are gaining their independence and that they plan, it seems, to work shoulder-to-shoulder with France in the French Union. By working together as independent, but interdependent, states they can defeat communism in Indochina.

Just recently the Philippines held general elections under conditions of great strain. This new republic has had to endure great hardships to rebuild the terrible damage that it received during the war. At the same time, in its first formative years it has had to fight internal communist aggression. Under these conditions a general election is a real test of the strength of democracy. It was a thrilling demonstration of the capacity of the Philippine nation for self-government and the orderly fashion in which it was conducted was another proof of the capacity of the Philippine people to strengthen their democratic government.

In the Middle East it seemed for some time that Iran might be exposed to a Soviet communist seizure of one of the world's largest oil reserves. But the people of Iran have learned to distrust communism because they have lived next door to it and have had an opportunity to know of its ambitions. Last summer they rose to the support of their Shah to prevent the illegal retention of power by a regime which was becoming increasingly identified with the communist party in Iran. Today Iran has a fresh opportunity to solve its internal problems and to strengthen its ties with the free nations.

In Europe the economic recovery of recent years has been continuing. The North Atlantic Treaty Organization continues to gain strength. To me the important thing is the cooperation and the ability to work together for the solution of common problems that is increasingly demonstrated in Europe. European nations have regained their confidence in their ability to solve their own problems and their ancient political genius has been reborn.

This Administration attached great importance to the growing political, economic and military unity of Western Europe. The Coal and Steel Community that is now functioning and the prospective European Defense and Political Communities are evidences of political creativeness of the European peoples. They are the most valid and effective exhibits of freedom in action. They are bound to be contagious.

The political victory of Chancellor Adenauer has greatly increased the prestige and influence of a statesman who faces international problems not in the spirit of a narrow nationalism but in the terms of the long-range welfare of a Europe of which a democratic Germany is an indispensable part. French political originality invented the concept of building a European defense community and European political community. The hard common sense of the German people and their leaders has endorsed this concept.

Conditions in the Eastern Zone of Germany have been in sharp contrast to conditions in the Federal Republic. Last June the people of East Germany held widespread protest demonstrations which made evident their resentment of oppression and their dissatisfaction with their lack of opportunity to work for Germany's reunification in freedom.

To say that we have been willing to meet with the Soviet Union and attempt to find a solution to the problems that disturb the world's peace would be an understatement. We have, you might say, chased Soviet Russia across the map of Europe and of Asia in our efforts to get its rulers to negotiate. *Now it is beginning to look as if we have caught them.* The Soviet Union has been afraid that, if they admit the possibility of greater liberty for anyone now living behind the Iron

Curtain, restiveness will increase everywhere in their police and captive states.

The Soviet rulers are on a diplomatic defensive. The free world now has the diplomatic and moral initiative. We hope to keep that initiative. We have been ready, we are ready now and we shall stay ready to talk to the Soviet leaders about any concrete point of difference, wherever it may exist.

The peoples of the free world know—and the Soviet leaders should know—that we are also not going to accept as a prior condition to negotiation the abandonment of the North Atlantic Treaty Organization, the European Defense Community, and our mutual defense bases. Nor do we wish to participate in an international conference which would be construed as an abandonment of the enslaved peoples of the captive nations. Neither we nor our Allies in the North Atlantic Treaty Organization are going to allow Europe to be made defenseless as a condition to negotiation with a totalitarian power armed with the world's largest military machine and with a record of absolute ruthlessness.

We shall negotiate from strength, not weakness. Also, we shall not accept the Soviet demand that, as a condition precedent to any talks about anything, the U. S. must recognize the communist regime as the government of China and seek its admission into the United Nations and into the councils of the great powers.

Some cautions must be borne in mind when we talk of meetings with the Soviet leaders. President Eisenhower spoke with great seriousness last spring about our desire to discuss the limitation of armament. He spoke of the progress that could be made in the world if we could divert expenditures from the instruments of destruction to means of construction that would benefit the peoples of the underdeveloped areas. He spoke of the terrible danger from the present weapons of destruction that hangs like a dark cloud over all humanity. We shall never stop our efforts to obtain a limitation of armament under conditions that will safeguard the U. S.

But few things could be more dangerous than to have a meeting which vaguely produced the illusion that there was no danger. We should not invite a mist of words to obscure the peril that faces our world.

To mention areas where the strength of the free world is growing is not to indicate that we shall not continue to have problems and occasional setbacks. Some problems at this time seem far from solution. Some of these obstacles may eventually be greater than they appear from today's perspective. The difficulties that lie in front of us should not prevent our efforts to find solutions, for nothing makes policy more cowardly and more feeble than the premise that no setbacks can be risked.

From the earliest days of the republic our people have held a profound faith in the dynamic influence of a free society. It was the determination of the men who built this republic that there should exist a society in which man would be free to develop his potentialities unhindered by any servitude or bonds of social structure. Our ancestors believed, as the opening paragraph of the *Federalist Papers* said, that the American people had a unique opportunity by their conduct and example to show all humanity the possibilities of a free society. It was because the United States represented this opportunity that men have wished to come to this country.

It has been the genius of the American people that has developed the possibilities of a free society more largely than they have been developed by any other country. This is our strength now. Also, our people have continued their faith in the words of the Declaration of Independence that calls for "a decent respect to the opinions of mankind." Today great numbers of men who for centuries have had no hope for their children are becoming aware that they may share in the benefits of the more technically advanced societies of the West. Throughout Asia the communists are telling these men that their hope to avoid their ancient servitude can be found best in the new servitude of the communist society. We have offered them the opportunity for cooperation with the free nations.

If we are determined in our resolution to vitalize the possibilities of our free society I have complete faith that what we do will be more eloquent and persuasive than what the despots say. **END**

BLACK STAR



Secretary Dulles, G. Bidault (without hat) and James Dunn at the Paris airport

GROUND WON IN WAR

By ERWIN D. CANHAM

AFTER 11 months in which the Eisenhower-Dulles conduct of foreign policy was hopeful but inconclusive, the President finally succeeded in turning the tide of the world's thinking by his inspired and inspiring proposal for a world bank of peaceful atomic energy.

The President's address to the United Nations' general assembly, made without recrimination of the Soviet Union but in the sober setting of an estimate of the disastrous effects of atomic war, marked a turning point in the postwar years. It was the culminating state for 1953 in the "dynamic new foreign policy" which the President and his Secretary of State had promised.

The President's proposals followed a period of hard apprenticeship, marked by some progress and plenty of disappointments. No miracles have been worked, and there are still challenges of utmost gravity almost anywhere we look.

The President and the Secretary of State ended the fighting in Korea, acting of course with and through able military leadership. They have put pressure on the satellite and occupied areas of central Europe, and their work was most spectacularly marked by the German riots of June, 1953. The Anglo-Egyptian dispute has been advanced close to solution. The Iranian situation has been vastly improved. The Indo-Chinese problem has been prevented from disastrous collapse—at this writing—and just possibly it is susceptible of major gain. But to prevent disaster was a good deal.

We have helped bring West Germany closer into the orbit of free nations.

The chances of the European Defense Community becoming a reality are greater than they were a year ago. Perhaps a rational and helpful American world trade policy will emerge within 1954; so far we have held the line. We have success-

fully tapered off much foreign aid. A measure of disengagement from military operations in Europe has been carried out and potentially the same is true in Asia.

These are all substantial gains. Some of them are fairly concrete. But it is too soon to celebrate—there are qualifying factors which must be listed. The end of the fighting in Korea has evidently given the communists a chance to reinforce their position in North Korea and consolidate their grip. We have not been able to withdraw our forces from Korea, and there is no assurance we can at any visible date. Time is not necessarily working for us.

The basis on which the Korean cease-fire was negotiated gives us little leverage to negotiate the withdrawal of Chinese communist forces in the north and still less to obtain the unification of Korea under democratic government. But since the only alternative facing the Administration in 1953 was to resume the fighting on a scale which the American people probably would not have sanctioned, it is not clear how any better terms for armistice could have been obtained. The prisoner of war situation has enabled us to win a great victory in the unceasing struggle for the minds of men. We have shown that human beings, even communist soldiers, understand the meaning of tyranny and choose freedom. This is an unexpected dividend.

On the whole, the Administration has handled the prisoner of war situation well. Secretary Dulles has placed the Korean negotiations in able hands. Probably he did as good a job as anybody could in his talks with Syngman Rhee, but many difficulties remain in our relations with that impetuous patriot.

The cease-fire in Korea suggested to the French and their Indo-Chinese allies that a cease-fire might be a good idea there, too. The situation remains dangerous. Yet Mr. Dulles persuaded the French to offer full independence to the three native

states of Indochina. So far he has kept them and the French in the war, largely through heavy American military and financial aid. Like so much elsewhere in the world, the situation in Indochina could get very much worse, or a little better. Under the surface, the Chinese Reds have been penetrating heavily among the Shan peoples of Southeast Asia. Even a French military victory would not be conclusive. A decisive defeat would be a disaster. The Eisenhower-Dulles rear-guard action in Indochina has been intelligent and vigorous, and it may have prevented tragedy.

American relations with India have definitely worsened during 1953. There is reason to hope that Indian experiences in administering the Korean truce may drive home some hitherto unappreciated facts of life about the communists. India is important and it does us no good to get impatient with the Indians. The United States should not continue to grow in Indian thinking as a symbol of racial prejudice and materialism which challenges precious concepts in the Asian way of life. We must not replace the colonial powers as scapegoat in the thinking of emergent peoples.

A cleavage more dangerous, even, than the gap between the free nations and the communists would be a division between the U. S., as a symbol for the white world, and the tinted races of mankind. This grim specter, a travesty of the respect which most Americans deeply feel for the dignity of man, should be laid. It cannot be said that President Eisenhower and Secretary Dulles, despite all the spiritual awareness and respect for others that is manifest in their hearts, have come to grips with the problem Indian misunderstanding symbolizes. They could do so.

They stand for forces totally committed to the rights of man. Mean-

OF IDEAS

Mr. Canham, editor of "The Christian Science Monitor," was for many years a foreign correspondent and Washington newspaperman. He is author of "Awakening: The World at Mid-Century"

time, our tactics at the U.N. often seem to tread on Asian toes.

These strictures apply in part to the U. S.-Arab and African relations. We have the makings of great policy, based on American dedication to freedom and progress, but it is still nullified and poisoned by the concessions we have to make to the often very rational claims of the old colonial powers. We tend to annoy both sides. Our support of both Israeli and Arab nationalisms may be rational, but it is difficult to carry out, and almost impossible to get credit for.

Secretary Dulles has made real contributions to the solution of Middle-Eastern conflict. He advanced the Egyptian talks, he softened a bit the hostility toward us in the Arab world. But there is still a long way to go. In Iran, American diplomacy helped obtain immense gains in the ouster of Mossadegh and the consolidation of a regime which may bring stability to this soft spot in the free world's Asian frontier.

In Europe, when the new Administration took over, and for months thereafter, the European Defense Community was on the rocks. Now there is a chance for its realization. Our new policy toward the satellites is no longer mere containment, but it is not total liberation either.

Did the Administration take adequate advantage of the death of Stalin and the succession crisis in Moscow? It is possible to think we might have done more and not be sure precisely what we should have done.

Has Mr. Dulles handled constructively the question of loyalty and competence in his department? At the outset he was under swift, brutal pressure. He hated to accede to it, and yet he could not possibly accept the total defense of all the people he inherited. It was a tough dilemma. In the end, much expertness and experience has been lost. The American foreign service is not as competent, taken generally, as it was a year

ago. But it is getting better, and in any case the house cleaning after 20 years of one-party control would have been painful and messy.

What has the United States done in the past year to prevent the expansion of world communism or the advent of world war? What have we done to redress the balance in Asia—specifically, to win back China? What have we done to prevent disastrous misunderstanding among peoples of the in-between world who are committed neither to our values nor to those of communism?

The answer is that the United States has done a good deal; most of it is still inconclusive. But President Eisenhower is an idealist, a man of warm, generous, humanitarian feeling, a man of experience in world affairs. Secretary Dulles is above all a skilled diplomatic craftsman. On the whole, despite manifest difficulties and uncertainties, they have made an excellent start.

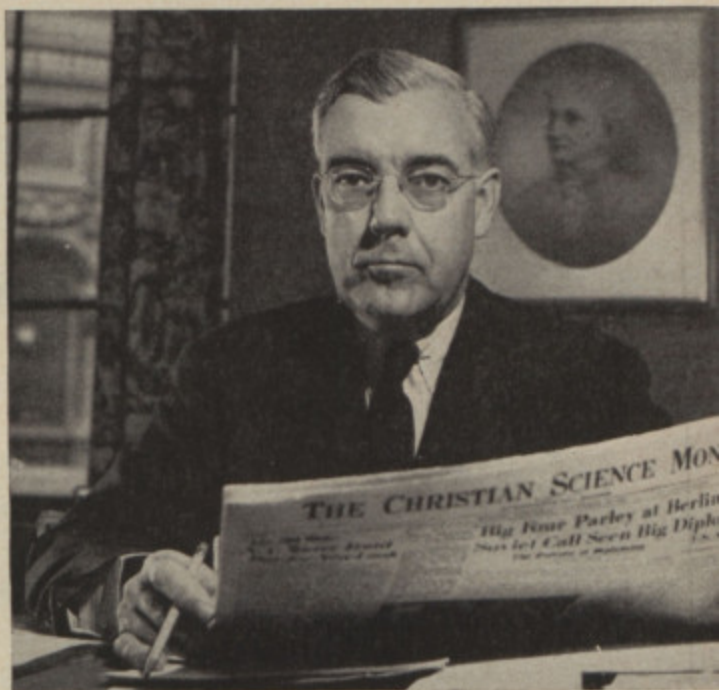
The experience acquired in the first year ought to pay dividends later on. Both the President and the Secretary of State are men who learn. They must have seen that the greatest hazard to their international program is domestic uncertainty. The turbulence of national politics traditionally tends to weaken an Administration's standing and freedom of action in the world. We are entering an election year with all its pitfalls. Former President Truman and former Secretary Acheson were often described as prisoners of their critics.

How can the present Administration gain and keep its freedom?

Recognizing the danger, the Administration in late 1953 moved rather decisively to consolidate its domestic leadership. Attorney General Brownell acted boldly to keep the anticommunist issue from being a senatorial monopoly. Plans for drafting and firming-up the Administration's legislative program for 1954 were carefully carried out. Thus it appears that the President realized he and his Secretary of State will be strong abroad just about to the extent that they are strong at home. The United States will be consistent and effective in its world policies just to the degree that its government is consistent and effective internally.

In an election year, with a hairline division of Senate and House, the establishment of the Administration's authority will call for all the President's reserves of leadership. This affirmation of his strength, rather than any plan or devices his Secretary of State may contrive, will determine the Administration's actual position in the world. Once its feet are firmly on the ground in the United States, it can carry forward the long-range programs Secretary Dulles has prepared. And if congressional control is lost on a partisan basis, the President can strive even more earnestly than in the past to lift his programs to a non-partisan level. This of course he will seek to do anyway. Naturally he has much incipient Democratic support for his foreign policies, as he has had all along. In any case, leadership is indivisible in today's world. President Eisenhower must proceed both at home and abroad to confirm the authority which is potentially his.

END





EDWARD BURKS

MORE TAX CUTS ARE ESSENTIAL

By GEORGE M. HUMPHREY

Secretary of the Treasury

THIS Administration has worked toward two great goals during its first year in office.

In the first place, this nation must—and will—provide the military posture best designed for its own protection and to promote peace in the world.

Second, this nation must—and will—maintain the sound economy and productive power which are prerequisites for that military strength and leadership for peace.

This Administration is sincerely committed to—and working strenuously toward—both these vital goals.

Only through peace—real, lasting peace—can the forces for possible destruction of great cities and peoples be brought into use for the service and good of mankind. While seeking this real peace, we must be militarily strong. And to be militarily strong, we must maintain the healthy productive economy which, after all, underlies and provides the very basis for any strong defense.

During the first year of the Eisenhower Administration our aim has been to establish sound, honest money as a primary basis for a healthy economy. We must have sound money not only for the protection of millions of Americans who work and save. We must have it so that all the virtues of thrift, enterprise and initiative, which have made this nation great, will continue not only to live but to develop further.

We believe that the sound, honest dollar is the foundation of economic strength in America.

This Administration fell heir to heavy burdens of fiscal and economic policies. These include:

1. *The huge public debt.*
2. *The restrictive debt limit.*
3. *\$81,000,000,000 in C.O.D. orders.*
4. *Extravagance in government.*
5. *The staggering tax burden.*
6. *A rigidly controlled economy.*
7. *On top of it all, a war of stalemate, not only taking the lives of American boys in Korea but putting additional financial burdens upon our people.*

The fiscal and economic objectives which President Eisenhower set forth in his State of the Union Message two weeks after assuming office were:

1. *To reduce the planned deficits of the previous Administration and then, at the earliest possible time, balance the budget by reducing federal expenditures to the very minimum within the limits of safety.*
2. *To meet the huge costs of our defense.*
3. *To manage properly the burden of our inheritance of debt and obligations.*
4. *To check the menace of inflation.*
5. *To work toward the earliest possible reduction of the tax burden, remove inequalities, cover omissions and reconstruct the tax laws to lessen their restrictive effect upon the vigorous growth of our economy.*
6. *To remove the strait jacket of wage, price, and other controls and directives which then held the country hidebound and to make constructive plans to encourage the initiative of free citizens.*

The first year's operation of this Administration shows substantial progress toward the accomplishment of these objectives.

The first step toward reducing deficits and balancing the budget was a tremendous effort by both the committees of Congress and the Administration to get previously planned spending under control.

Little could be done about expenditures in fiscal 1953, which was all programmed and more than half gone.

But a thorough review of all future military and civilian programs was immediately undertaken.

No program was too large to be challenged, no operation too small to be thoroughly examined.

Conditions were worse than we expected. Corrections have not developed as rapidly as we had hoped. But progress has been made.

By August, 1953, previously planned expenditures for fiscal 1954 had been cut by more than \$6,000,000,000 under the January estimate of the outgoing Administration. This, plus \$800,000,000 of income gained from the six-month extension of the excess profits tax, resulted, according to present estimates, in cutting a prospective deficit from more than \$11,000,000,000 to less than \$4,000,000,000.

This is a real saving. The taxpayers of America will have these billions of dollars to spend for themselves

instead of having to let the government spend them.

As for the costs of defense, this Administration is determined to develop a proper posture of balanced defense, which will provide not only for our security today but for tomorrow and thereafter for as long as may be required until we find the way to real and lasting peace. We can and must spend whatever we have to spend to defend ourselves.

We also know, however, that the real defense of America will not result simply from spending huge amounts of money.

We know that any program for defense must be measured not by its cost but by its wisdom and that, to be effective, it must be fluid and continuously modernized as time goes on.

In debt management this Administration is doing two things which will make the nearly \$275,000,000,000 debt less inflationary and less dangerous to the value of money and to the nation's economy.

First, at every appropriate time we are extending the maturity of the debt by issuing longer-term securities. Second, we are moving more of the debt away from the banks and into the hands of long-term investors.

We cannot always move on both fronts at the same time. We must be careful not to dislocate the sensitive balance of our economy and we must always be guided by current market conditions. But our goal is clear and we are working toward it.

In February, owners of \$9,000,000,000 of maturing certificates were given the chance to exchange their holdings for a bond of six years' maturity instead of the usual one-year certificate. In April, the Treasury offered a 30 year bond—the first marketable long-term bond since 1945. In September, a 3½ year note was offered; in October a new cash offering of eight-year bonds was made; and in December \$1,750,000,000 of five-year bonds were issued.

The net result of our debt management in 1953 has been to finance a huge inherited deficit with little or no increase in bank holdings of government securities, and hence with no increase in inflationary pressures due to that cause.

In helping to spread the debt, we are also encouraging the widest possible ownership of savings bonds. We note with pride that the sales of Series E and H savings bonds in 1953 were higher than in any year since 1946.

Our policy is fixed and determined. It is flexible only in its execution. Our progress under it realistically recognizes and adjusts to the changing conditions in which we operate, but we have made no change in either policy or objective. Our goal has been and will continue to be sound, honest money for a healthy economy—for the military and economic security of this country.

This brings us to inflation. It is a matter of cold—and tragic—record that the purchasing power of the dollar declined from 100 cents in 1939 to 52 cents in January, 1953. Even since 1946, after the end of World War II, the value of the dollar has dropped from 74 to 52 cents.

This has been a cruel hardship upon the millions of Americans who have saved money either in savings deposits, in insurance, or in retirement, fraternal, pension and other plans.

We have temporarily at least halted further inflation.

Every fractional new high in the consumers' price index receives interested public attention. From 1946 to 1952 this index increased from 80 to 114, a total of 34 points. In marked contrast, however, during the past year it has increased only about one point which

INDIRECT CONTROLS ARE WORKING

By ARTHUR R. UPGREN

is only about one per cent. This is the most convincing proof that a turn has been made and that to a considerable degree stability has been achieved at a high level of productivity and employment.

This Administration is reducing taxes. Because we have reduced expenses and only because we have made these reductions in spending, the excess profits tax expired Dec. 31 and individual income taxes went down an average of ten per cent at the same time. Let no one be deceived. No tax reduction whenever planned could be justified otherwise.

Additional tax reduction is desired by all and is essential to the continued growth of our economy.

Stability of the dollar affords protection to those older citizens who have earned and saved, but this nation, as the land of opportunity for the young—eager for work and ambitious to better themselves—cannot long endure as such under the restrictive taxes which we inherited. They must be further reduced.

But taxes can be further reduced only as expenditures are further reduced. And expenditures can be reduced only as consistent with maintaining a defense adequate to meet the dangers which confront us.

Our entire tax system has been studied to remove, wherever practical, inherited obstacles to growth and incentive. This is a joint undertaking of the Treasury and the Ways and Means and other committees of the Congress. Many changes could well be made. But loss of revenue must be carefully evaluated.

We cannot afford as much reduction as we would all like immediately. *But we will set a pattern of reduction* on which a modest start will promptly be made, with provision for additional future reductions in taxes as rapidly as reductions in expenditures—consistent with security—indicate that they are justified.

To encourage initiative, needless and stifling controls were lifted almost as soon as we assumed office. They had not kept down the cost of living. They were curbing vital American initiative and enterprise.

Lifting of controls was a calculated risk. The loud cries that the end of controls would mean runaway inflation died out almost as quickly as the controls themselves were ended.

This Administration believes that the average American can do more for himself—if he is allowed to do so—than the government can do for him. Competitive enterprise, free initiative—the courage to take a chance—the opportunity to better oneself by effort—constructive work and invention—these have made America great.

It is the collective effort of 160,000,000 Americans—each for himself striving to improve his lot, advance his children, and improve the position of each succeeding generation—that, all taken together, has been a power to create more things for more people, and higher and higher standards of living for all than ever have been known in this world before.

Shooting and bloodshed in Korea have ended, and the tension in the homes throughout America is lessened. In its place our every effort is at work to fashion a lasting, sound and equitable peace, and substitute reconstruction for destruction in that war-torn land. We hope that out of it may come a permanent and constructive settlement, ending both further bloodshed and expense.

This then was our inheritance of fiscal burdens accumulated over 20 years. These then were—and are—our objectives.

Our accomplishments are real. They are a good start toward substantial progress. They have yet far to go, but are far enough already to give us pride in the first few months of effort and real hope for greater things to come.

END

THE DOLLAR is likely to be worth considerably more, over the next few years, as the result of a courageous test conducted by the Eisenhower Administration. It has proved in action the important point that the national government can use financial and fiscal policies to curb inflation and do it effectively. This has been achieved despite the pessimists and directly in face of opposite views preached by the Fair Deal.

The present Administration first met the inflationary threat by so-called "hard money" measures. But when in the middle of last year the possibility of a mild recession loomed, the Administration shifted gears to loosen money supply and ease credit to meet changing business conditions.

As a result, funds available for loans on everything from new industrial construction to home mortgages, to instalment purchases of cars and freezer units are constantly increasing in amount, and at lower interest rates.

What has been done deserves high praise especially when compared to what was not done eight years ago. The time when the present approach to currency and credit could have been most efficiently applied was after the demise of price control (OPA), wage control (WLB), and rationing controls (WPB) in 1946.

What Congress decided in that fateful year was to let free markets once again energize and protect the American economy. At the time the



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official economists of the Truman Administration forecast an immediate "recession." They were wrong. Instead, the economic forces then liberated encouraged the American business enterprise system to grow toward new heights. All prospered mightily, especially our labor groups, as industrial and other investment rose to the staggering total of \$150,000,000,000 by the end of 1951.

The forces feeding the boom should have been restrained in the immediate post-World War II period, and certainly with the advent of Korea, by the same kind of policy that the Humphrey-organized Treasury brought into play in 1953. The Truman Administration failed to establish control over the money supply and allowed its fate to be determined largely by speculators in government securities. These speculators were less interested in a stable dollar than in making quick profits, which threw oil on the fires of inflation.

But these groups should not be entrusted with such influence over the amount of money in circulation or on demand. To avoid anything like that is why we have a Treasury and our central banking apparatus. Congress intended control to be lodged in the Federal Reserve system.

Yet not until 1951, when Thomas B. McCabe was chairman of the Federal Reserve Board, was an attempt even made to assert that power now

re-established by the Treasury's recognition of the proper role of our Federal Reserve system as defined in law. That role is to maintain a firm cash and credit foundation for our business activity.

Thus the first achievement of the Treasury under George M. Humphrey has been to revitalize the principle of monetary management by the appropriate authority. We have thus gained the knowledge that control of credit can be used flexibly to check an excessive boom.

The second achievement of today's Treasury has been its decision to foster forthcoming tax reductions, as the economic outlook darkened. Industrial production and other signs of prosperity had climbed to new peaks in March, 1953. Since no modern industrial economy can sustain prosperity continuously at the same level, a turn down—the very mild recession of 1953—set in gradually. Promptly the Eisenhower Administration reversed its policies. It transfused \$2,500,000,000 of additional bank reserves into the U. S. financial blood stream—chiefly through purchase of government securities within the Federal Reserve system and reduction in reserve requirements of the member banks. This step meant that the Treasury's own needs could be met in the second half of 1953, and that the sale of private securities to expand our productive plant could become strong and healthy.

By early September, all securities markets were flourishing as rarely before, and the market for federal securities was also thriving.

To be sure, easier credit does not automatically guarantee its wider use.

Other ingredients have to be added, and they are now to be put into effect. Early in 1954 our economy will begin to benefit from the vitamin shots of tax reduction. In this way, money is returned to the spending and investment stream more surely and swiftly than from increases in the credit supply.

So, in the first year of the new team at Treasury, it has been proved in practice what was once only a theory, namely, that monetary controls can restrain a boom. That is the most substantial "know-how" we have so far acquired from the Eisenhower Administration. We now shall soon discover the extent to which positive tax reductions can offset a tendency toward economic recession.

We are also learning that our central concern must be to defend and promote the sound economy. "Hard money" is wanted precisely because it is crucial for this purpose. Otherwise we will be unable to maintain

high production at high levels of employment while keeping the elasticity which at once fosters economic change and quickens the pace of economic advancement. Otherwise we will lack the basis for combining stability with expansion.

In the days ahead, if the Administration continues to promote the idea of a sound economy, it will also have to cope realistically with the issues of the balanced budget and reduction of the national debt.

When it deals with the balanced budget a majority of economists and businessmen will tend to assess success or failure by these criteria:

1. Does Treasury action curb wasteful and unnecessary government outlays, and thus encourage more efficiency in the day-by-day conduct of government affairs?
2. Does Treasury action help to arrest drastic fluctuations in the demand for goods and services, and thus assist in stabilizing production, payrolls, prices?
3. Does Treasury action reduce the national debt without jeopardizing high levels of economic activity?
4. Does Treasury action take into account the point that decisions on fiscal policy require a great deal of time to make and an even longer time before their effects can be accurately gauged?

Similar measuring rods apply to the Treasury's handling of the public debt: 1. Will it cut today's unduly heavy amount of government borrowing to finance public spending? 2. Will its debt management represent a hardheaded view of what the government should pay in interest charges on the money it hires? 3. Will it satisfy the needs of customers for government securities by finding a practical middle ground between free market demand and an artificial "pegged" price?

The rule of reason, of course, has to be applied here up and down the line. There are no absolutes. It is likely that deficit financing will remain with us up through 1955, or even longer, until such time as defense expenditures can be tapered off, without too much disruption, and taxes adjusted to the needs of economic growth. If the Administration moves steadily toward a *reasonable* balance of the budget, and a *reasonable* reduction in the debt, within the framework of what is feasible in view of our national security requirements, the American people will have been well served.

Certainly the signposts point in this direction if Treasury performance over the past year can be taken as the prologue to our financial and fiscal tomorrows.

END

WE ARE



EDWARD BURKS

CHANGING OUR STRATEGY

By **CHARLES E. WILSON**

Secretary of Defense

IN THE first year of the present Administration we have seen the end of fighting in Korea, the return of American war prisoners to their homes, the reorganization of the Department of Defense, the orderly reduction of \$5,300,000,000 from the defense budget submitted by the previous Administration, and the emergence of a realistic defense program.

During these months, the Department of Defense has based its actions and its planning on the recognition that militant communism is a three-pronged threat to our national security. First, it is a psychological and propaganda threat, since it attempts to spread communism throughout the world, claiming that the Russian version of communism is a superior political and social system. Second, it is an economic threat in that the Russian state owns and controls all productive property and actively attempts to destroy the capitalist systems of other nations. Third, it is a military threat since it builds up great military power, and militant communists teach and believe in world revolution. They accept war as a proper political instrument to use in doing away with all capitalist and free societies.

In the light of this threat we are maintaining effective military forces and are equipping these forces with the most modern weapons. For the unpredictable future we are making certain that our industry can mobilize quickly for all-out production if the requirement is forced upon us.

New weapons continually modify the best means for the most effective use of men, ships, guns and planes. We are making use in all the services of new technological developments as they become available. In this new age we have to appraise our military strength in terms of effectiveness rather than numbers.

With congressional approval, six new assistant secretaries and a general counsel have been added to the Department. They, with three other assistant secretaries, are responsible for coordinating activity and recommending policy in the broad fields of finance, supply and logistics, manpower and personnel, international security affairs, research and development, applications engineering, properties and installations, health and medical, legislative and public affairs, and legal matters. These highly competent men, who in their respective fields work closely with the military departments, have made possible the elimination of the use of boards and committees in the solution of day-to-day problems.

The new Joint Chiefs—Admiral Radford, chairman; General Ridgway, chief of staff of the Army; Admiral Carney, chief of naval operations; and General Twining, chief of staff of the Air Force—are working effectively in their new assignments. Their current review of our military plans and their forthcoming recommendations regarding our basic strategy will impor-

tantly affect our defense policies and our defense budget for the next few years.

We have no present plans to increase the number of combat units of the Army, Navy and Marines. But we are building up their effectiveness with better equipment, some new weapons and a better planning of reserve components. The strength of the Air Force is to continue to increase in the number of combat wings as well as through the use of better equipment. Including naval aviation, I believe we now have the most powerful and effective air force in the world. Our outstanding combat experience in Korea indicates that we have the best equipment and also the best pilots. We must continue to have airpower second to none.

Presently scheduled military aircraft production contains a higher proportion of combat planes than under previously approved schedules. We feel confident that the Air Force will have at least 115 good wings by June 30, 1954, and it is now clear that the interim goal of 120 wings can be met sooner than the Air Force thought possible last spring.

We are building a continental defense system consistent with the most realistic strategic concepts for the security of the United States. We are building a system that will have the means of early warning, well coordinated communications, and efficient control of fighter-interceptor aircraft and anti-aircraft weapons. It requires the closest coordination, not only among the three military services, but also with our Canadian friends to the north. More is being done to improve the United States defense against atomic attack, to give us better eyes to detect incoming aircraft, and to give our defenses—our interceptors, anti-aircraft, and civilian defense—the maximum time to react.

While strengthening the military forces, we have reduced civilian employment in the Department by more than 125,000 persons since the end of January, 1953. This reduction of about ten per cent was made in an orderly manner with minimum individual hardship and without reducing the effectiveness of our defense effort.

The high rate of expenditures during the past two or three years was due to trying to make up for the mistakes of the years immediately following World War II when military expenditures were choked down to a dangerously low level. The expenditures have also been high due to the Korean war and due to what might be called the crash program or the emergency build-up following Korea. We have reason to believe that the expenditure rate is at or near the peak.

The objective of the entire defense organization is to develop the maximum military strength and security for our country that can be obtained by the intelligent expenditure of the funds the people of our country through their Congress are able and willing to make available for defense purposes.

END

DEFENSE

WE'RE BETTING ON

H-BOMB AIRPOWER

By S. L. A. MARSHALL

DEFENSE Secretary Charles E. Wilson and his team of businessmen have spent much of their first year settling in. That implies not only clearing away what the new team considers the errors and extravagances of the past but undertaking a course of self-education.

The atmosphere of the Pentagon has rarely been more turbulent, to the uneasiness of the working crew. The services have been afflicted by a worse-than-usual malaise, as indicated by lowering morale, officer resignations, low reenlistment rates and a consequent pile-up of manpower problems.

The normal criteria for weighing the worth of a military administration are these: forwardness in planning, interior harmony, well-being of troops and the public impression of these things. However, having indicated a negative on the main counts, one must in fairness add that, for the time being, the criteria are inappropriate. The seeming uncertainty in the new look is in large part deceptive; it derives from the abnormal anxieties which attend any great change-over and from an unprecedented flux in the external situation with its impact upon both policy and operations.

Asked what he had done during the Revolution, the old Frenchman replied: "I survived." To their credit, Mr. Wilson and colleagues have survived the hardest year the Defense establishment has had since unification. The machinery was given its most rugged road test; it moves with undiminished capacity amid signs pointing the way to a firmer and more rewarding course.

Now there are the first suggestions that we are on our way to a radically new security formula, something with teeth in it, something which will guide on the stars rather than remain hobbled by tradition. As someone once said of a singed cat, the new control is much better than it looks.

The new team went to Washington, if not under party pledge to cut military costs, then under public pressure to make magic, thereby relieving the taxpayer without under-

mining security. The team actually never did commit itself to performing the impossible by next Tuesday. The head man promised only stronger defense per dollar spent, which is a quite different thing, though the difference did not keep him from being widely misunderstood and misquoted.

Thus, the operation has disappointed the prophets who forecast that, when big businessmen took over the Pentagon, the dollar sign would replace the national seal and the budget would take an unhappy cut at the expense of national safety. Secretary Wilson and his associates have tough hides and they seem almost unduly hardened against political pressure.

One other point has been made clear: They recognize that health in the business community and strength in the military body are indivisible.

The Administration, moved by the national longing, sought a contract to end the fighting in Korea and bought it at a hard price. The so-called temporary peace is marked by much of the waste which always attends war. The total force had to remain deployed halfway around the world from home base, occupying ground at heavy cost without strategic advantage to the United States. On the other flank, Europe, the situation was parallel because of our North Atlantic commitments and the foot-dragging of our military allies.

Of our field power, there is but one division in the United States which is supposed to be ready on call; one regiment is used in training demonstrations and the other two are far understrength. The other mobile divisions stand guard in Europe and Asia. They cannot be shrunk nor can the interior training establishment, which produces the replacements, be reduced. The circumstances which keep them abroad likewise commit a proportionate part of our naval power to narrow seas and distant shores. Despite the change to a nonengaged posture, there is no major reduction in operating costs which could be impressively reflected in a lowered budget.

The yet more critical effect is that, while the greater part of our conven-

tional fighting power must remain mobilized overseas, there is a corresponding immobility in program. It becomes all but impossible to shift radically toward a wholly new power balance between the services. Force-in-being, particularly when it is already overextended, and more so when military costs are pushing the rooftop, becomes a dead load on the prospect of reform.

There is the unique irony of the situation!

The truce of last July relieved almost everyone except our top military planners; their problem was made increasingly complex.

Its terms excluded the chance for large-scale economies. War provides a certain energizing incentive; when fighting stopped, the reaction of forces was bound to be a lessened will, drive and interest—another form of waste. No matter the public illusion that when the pressure went off at Parallel 38 it would be a boon to the American pocketbook, the troop requirements could not be given more than a token down-scaling; and about half the budget goes into payroll.

But one more event was needed to complete the encirclement of frustration—a demonstration that the far-stretched and deeply committed establishment needed to be shrunk and rebuilt if the nation was to stay on the main track in the power race.

Premier Malenkov made the birth announcement and then Russia exploded a thermonuclear bomb. The doctors had all said that Russia was expecting but the production had to make noise before the United States "suddenly awakened."

The quoted words are Secretary Wilson's. He applied them to this light-to-dark change in the besetting struggle for human survival. No lesser terms than these would do. Today's most powerful missile can disintegrate a modern city. Supposing a peace (what a word!) interval in which the stockpiling of mass-killing agents is the main object on both sides of the Iron Curtain, world war would then inevitably convert the interior into the decisive battle-



BENYAS—BLACK STAR

Mr. Marshall, Detroit "News" military critic, is author of "Blitzkrieg," "Armies on Wheels," "Men Against Fire," "Critique of Operations in Korea," and other works on armed forces policies and operations. He saw active service in both world wars

ground. Getting in the first full-armed blow could settle the issue. But in this kind of a war conventional military power will be denied more than a relatively brief future as the decisive force in total war. When the home base goes out, a field army becomes nothing better than a collection of displaced persons.

How deeply Pentagon thinking has been scored by this shape of things to come is known only to the few who shuffle the top-top-secret papers. No boldly imaginative changes were to be expected overnight, first, because of the limiting conditions already described, and second, because the professionals have the same objection to sudden death and major surgery as other people and will turn horns outward before yielding to either.

There are non-air generals in the Pentagon who will say in private that the old equation is obsolete; but initialing a paper to that effect does not butter bread. And some senior commanders in Europe will express the view privately that the Seventh Army as now formed does not safeguard the American future because it is too large to be sacrificed and too small to be effective. Traditional attitudes have been sorely shaken by the unfolding of the new situation but the mills of procedure grind slowly; it is relatively easy to say what won't work; but it is infinitely hard to find the assuring substitute.

But there are signs that the search

is nonetheless earnest. When last spring the new team initiated cutbacks in airpower, there were alarms that it was taking the straight countinghouse approach to its obligation. The open dispute between the Defense Secretary and the chief of staff of the Air Force ended in fog; there was no more possibility of reconciling the opposite opinions than of isolating truth on the basis of the facts publicly presented. By autumn the argument was a dead issue and the cutbacks seemed to have worked to national advantage, not that money had been saved over-all through contracting the air program, but that what was temporarily conserved could be better applied to the build-up of the "detering force."

Secretary Wilson uses this term as he speaks of "new strategic plans" which will "build up the nation's military strength, particularly airpower and air defense." He has need to be close-guarded in his utterances on this delicate subject in dealing with a press which frequently pretends to believe far more than the Secretary says.

When, on returning from Europe in October, Under Secretary Kyes suggested that minds should remain open to new power equations which might save manpower and his sensible words raised an echo at the Secretary's conference, Secretary Dulles felt called on to calm free Europe's fears that we were bent on full and immediate retreat.

As to the meaning of the "detering force," either it is an ambiguity, or the theory of the power balance within the services, which practically has meant an almost even dividing-up of the appropriations melon, will be superseded.

In changing the power balance we accept the supreme risk that, if the hope of peace is thwarted, world conflict will break with total use by both sides of the most destructive weapons. Hitting power cannot be re-balanced toward such a desperate, if necessary, concept of defense without overloading the American back and undermining the economy, unless there is an offsetting contraction of the conventional fighting establishment.

There is the lesser consideration that, as the new direction is taken, the government becomes awkwardly placed to propose atomic disarmament.

What the "detering force" principle means in material terms is that the United States will stake its security more and more on the atomic-thermonuclear stockpile and expansion of the long-range air fleet which can carry the heaviest missiles to the heart of the enemy interior. But the

acceptance of this risk will promote the protective principle: there will be ever increasing demand for the strengthening of continental defense.

Already in the making within the Air Force is a power struggle between the strategic command (offensive) and the elements which can build a new empire out of the expansion of the shielding force.

Secretary Wilson has expressed the hope that the new direction will enable ultimately greater security at less cost. That does not seem a likely prospect for the three years ahead, barring a radical change in the international atmosphere. In 1954, the program can expect no more than a fair start. The conventional services are spread-eagled by the situations in Korea and Europe. It is to the advantage of the communist powers to keep them that way; treaty settlements are therefore merely an outside hope. Some savings can be made by thinning troops without withdrawing formations but these will be strictly marginal. The main task of reform will continue to be extraordinarily formidable because of the financial obstacle.

It has been a tough year for coordinators and special assistants with the whole top level—joint chiefs and civilian chiefs—being changed at one time. It is especially upsetting to public relations because the press regards any new Administration as raw meat and if it wears the world-of-business tag, there is added reason why it should be cooked well done. Secretary Wilson, in particular, has been given a heavy going over; in trying to be as receptive as possible, he inclines toward attempting partial answers on questions better waved aside.

But the Pentagon, contrary to the generally accepted myth, is not a house evenly divided between civilian control and military pressure. Cleavage in view is still primarily along service lines. Between the civilian administrator and his military right bower, or vice versa, there is normally an unusual measure of working harmony. More quickly than one would suppose, they are speaking the same language toward the same object.

The king-sized, overstuffed aspect of the Pentagon staffing is still undeniable. About 30,000 individuals work there. That is more than in wartime. There is much duplication of effort and offices continue in operation which long since ceased to serve a valid purpose.

The end of the first year does not permit report of any great triumphs, but there is plenty of try and oomph.

END

JUSTICE WILL ASK: BETTER WEAPONS TO FIGHT SPIES

By HERBERT BROWNELL JR.

Attorney General of the United States

WHEN the Eisenhower Administration took office, our first task in the Department of Justice was to restore public confidence in the standard of ethics and professional competence of the organization. Early in 1952 the morale of the Department and its public standing had reached a low point. In May and August of 1952 our immediate predecessors, James P. McGranery, as Attorney General, and Ross L. Malone, as Deputy Attorney General, assumed office and had started the essential "clean-up" task in the few months that were available to them. In January, 1953, the task was still formidable.

We have reached our first goal—the selection of a new group of attorneys to head up the Department's legal activities who were instantly recognized by the bench and bar, and the public generally, as men of highest standards of integrity and professional competence. These men, headed by Deputy Attorney General William P. Rogers, have brought first-rate legal skill and remarkable diligence and initiative to the solution of the Department's problems. To prevent conflicts of interest, and improve the efficiency of our work, we now require all lawyers in the United States attorneys' offices to spend full time on their government work and give up their private practice.

Our second goal, now also accomplished, was to provide complete cooperation and sympathetic understanding to two large nonlegal units which are a part of the Department. The first of these units is the FBI, which has been under the able directorship of J. Edgar Hoover since May, 1924. Its efforts to prevent and combat communist infiltration into our government, long ignored, are now receiving utmost cooperation. The second unit, the Bureau of Prisons, under the progressive leadership of James V. Bennett, who entered federal service in 1919, has now received the "go ahead" signal to implement the long neglected Youth Corrections Act and thus open a new era for treatment of youthful federal offenders.

Our third goal was to establish an open-door policy.

We now make available for public inspection, at the time the action is taken, a record of pardons or action granting clemency, and of those who supported the applications. We also established the policy of making a matter of public record all administrative settlements in the Department such as tax fraud cases, alien property sales, and civil claims against the government. Secret administrative rulings that a person need not stand trial for tax frauds for "health" reasons have been abolished, and the decisions in the cases are now made by the courts.

In furtherance of this open-door policy, we developed the legal rules for the President's "Freedom of Information" Executive Order, to prevent abuse of authority to classify security information, and to facilitate an orderly flow of information about governmental activities to the public.

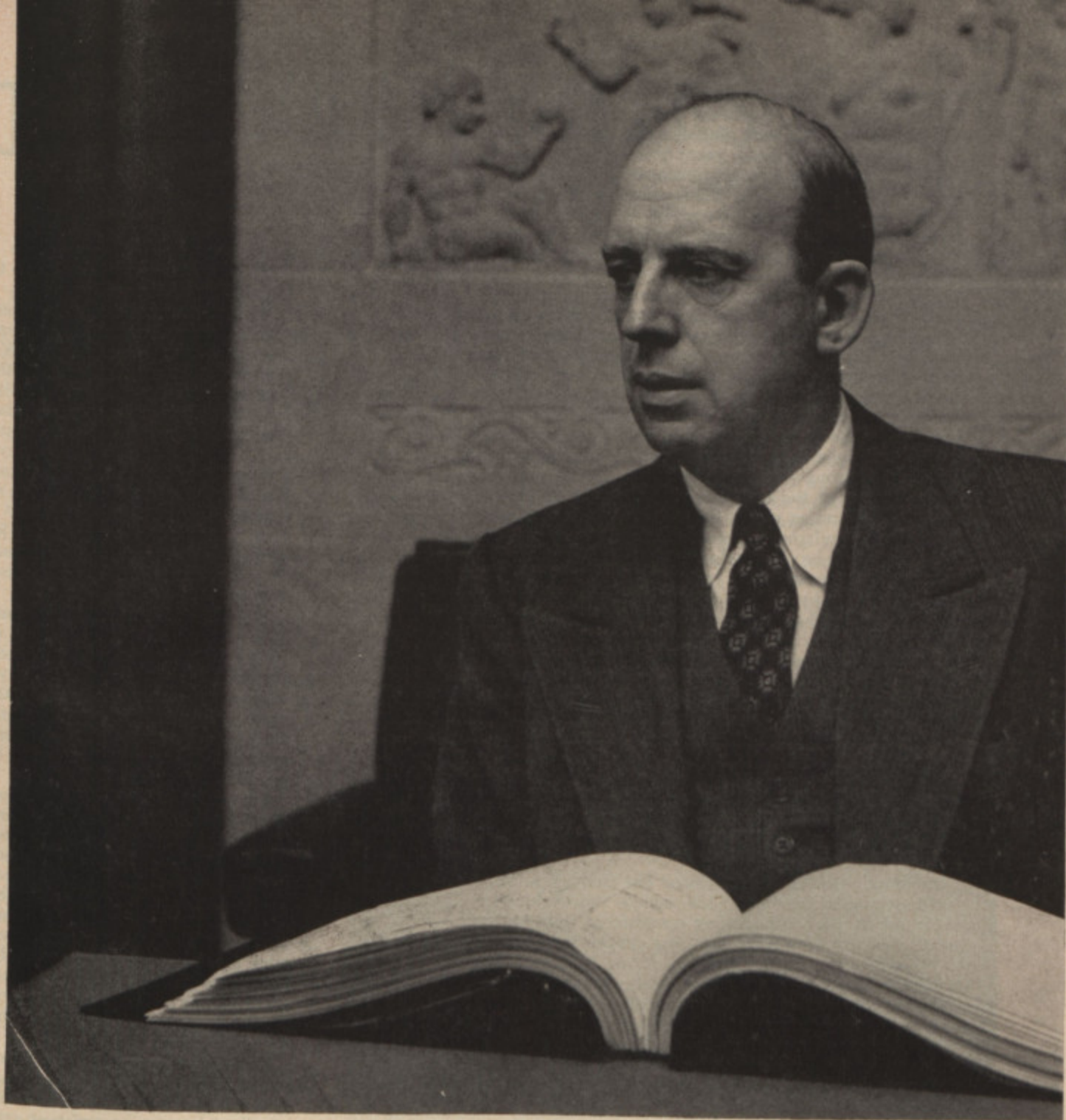
Two major matters of public interest will be receiving our attention in the coming months:

1. *Strengthening those laws which are designed to protect the national security.*
2. *Getting the Department of Justice out of the operation of private businesses, by administrative action and by amendment of the act under which the government seized enemy-held assets.*

A careful study over the past year has shown a definite need for changes in our laws so that we can better protect the national security. We have concluded that we need two important changes:

1. *An act to permit use in federal court of evidence obtained by or developed from wire tapping in espionage and other cases involving the nation's security.*
2. *An act to allow granting of immunity from criminal prosecution in exchange for compulsory testimony where the need for the facts outweighs the need for prosecution.*

There is evidence in the hands of the Department as the result of investigations conducted by the FBI which would prove espionage in certain cases. But this evidence cannot now be used because of present



EDWARD BURKS

rules of evidence. We seek to have these rules changed so that we may proceed in these cases. Since it would be a change in procedure and not a matter of substantive law, there would be no barrier on the *ex post facto* theory to prosecution of these cases.

We propose that the use of wire-tap evidence be permitted in trials, but only where the Attorney General authorized the action before this investigative technique was used, and only after the judge has passed upon the relevancy and materiality of the evidence.

Our proposals to permit granting of immunity to witnesses in exchange for vital information would not be limited in its application to national security cases, but in this field it would provide a new weapon in the fight against those who would destroy us.

Any such legislation, we believe, should vest the Attorney General, or the Attorney General acting with the concurrence of appropriate members of Congress,

with the authority to grant such immunity. The legislation we propose would not only protect the constitutional privileges of witnesses, but would aid materially in stamping out criminal and subversive activities. With this new weapon we believe we can obtain testimony which will assist in uncovering the higher-ups conspiring to overthrow this government by force and violence.

People are now more generally aware of the need for these changes in our statutes than they were a year ago, and we believe they will support our request that Congress grant these needed powers.

As to the second matter now under consideration, a word of historical background may be useful. During World War II, approximately \$500,000,000 in enemy assets were seized and approximately \$7,000,000,000 in foreign assets were subjected to blocking controls. The main purpose was stated to be to prevent the

enemy and its citizens from using this property and to satisfy partially our reparation claims.

The enemy assets were placed in the Office of Alien Property which for many years was an independent agency, but which later was transferred to the Department of Justice. It still holds most of the assets seized, including many important industrial firms, largest of which is the General Aniline & Film Corporation, and such things as 19,000 patents and 36,000,000 feet of motion picture film.

Since Jan. 20, 1953, we have been operating under a realistic program for the liquidation of this entire area of activity. But much is still to be done and, to accomplish our objective, it is necessary to change the law so that the property may be disposed of even when there is litigation pending against it.

The government should not own or operate a private business without a demonstrated public need. The entire Administration, from President Eisenhower down, feels strongly on this point.

As a result of the law providing that vested properties be held intact until litigation affecting them has reached final judgment, some of the largest companies cannot speedily be sold, including GAF. This results in harm to the properties and to the public interest.

Nevertheless, by pushing forward in instances where the law presented no block, we have managed to make sizable strides in disposing of such things as an interest in a company making safety pins, another making cigaret lighters. For the stock interest in the safety pin firm, we realized almost \$500,000, while the interest in the other firm brought approximately \$250,000.

For a half interest in Jasco, Inc., a holding company owning patents in the oil cracking and synthetic rubber fields, we received \$1,200,000. And a half interest in a cough medicine business brought \$650,000 when sold.

Pending cases have been closed out through settlements wherever possible. This reduces the workload, so, in addition to withdrawing government from business, administrative costs are being cut down.

We will speed up the process if we once get the amendment to the law which we seek. What we have recommended is that Congress substitute for the right of a successful claimant to have the property intact, permission for the government to sell properties involved in litigation when the public interest requires, and the claimant has a right to just compensation if he should succeed in his suit.

We also have more than 12,000 title claims and more than 47,000 debt claims pending. Under present congressional directives, each claim in both categories must be considered and determined.

Now these claims, in addition to being voluminous in number, involve comparatively small amounts.

The time and efforts required to give a fair hearing to each claimant has led to a situation in which only a small percentage of the cases can be disposed of each year.

We believe that if this part of the program is ever to be concluded, Congress must limit the types of claims to be considered.

The money realized from the operations of the Office of Alien Property are turned over to the War Claims Commission. The Commission distributes the funds among those Americans who suffered extraordinary hardships as prisoners of war or as civilian internees of the Axis powers. It follows then that the more rapidly we dispose of these enemy assets, the more quickly will those persons be compensated for the hardships they suffered.

END

THE Department of Justice is the biggest law office in the world.

Like other aspects of "big government," this Department's rapid growth is comparatively recent. Yet, despite its increased responsibilities, the Department remains primarily a law office. It is one of the important guardians of some of the most precious things in any democracy—justice, the protection of society, and the liberty of the citizen. The administration of the Department of Justice may well be one of the less spectacular aspects of government, but at the same time one of the most important.

Since the Department's responsibilities are basically legal, it is obvious that the Attorney General should be a well qualified lawyer. Attorney General Brownell fully meets this test. He has the native ability, the training, the experience and the personality which are needed for the post.

He came to the Department shortly after one of its low points. Some lawyers in the Department were of doubtful competence. Others, thoroughly competent, were badly discouraged. Some improvement had taken place during the short tenure of Attorney General McGranery, who preceded Mr. Brownell. But there was plainly need for a complete change of direction, not merely in the top personnel, but in their over-all outlook.

Attorney General Brownell took charge with a sure and firm hand. This was made plain when he named excellent lawyers as assistant attorneys general and as heads of the several divisions in the Department. These men quickly won each other's respect, and demonstrated capacity for teamwork. The atmosphere in the Department was cleared up within a few months. The restoration of morale was dramatic. The Department began functioning once again like a first-class law office. This was a great contribution to the administration of the government.

There were many other appointments within the Department. The most important of these are the United States attorneys, who are the Department's representatives throughout the country. Again the new Attorney General replaced less capable personnel with lawyers of high caliber. As in the Department

MEN...GOOD LAWYERS

By ERWIN N. GRISWOLD

itself, the standing and the morale of these offices have been greatly improved.

Moreover, Mr. Brownell has sought further to raise the Department's ethical standards by barring outside jobs for its attorneys.

Appointments to judgeships are of course made by the President, with the consent of the Senate, but it is obvious that the Attorney General's recommendations should carry great weight with the President. Although the new Administration has not yet had a great many vacancies to fill, its appointees appear to be generally excellent.

The most important, of course, is Chief Justice Warren. The Administration should be applauded for this appointment.

It is too much to hope, of course, that politics can be eliminated in the making of judicial appointments. But a strong Attorney General can do much to maintain a judiciary of high quality even though he has to give proper attention to political considerations. The signs indicate clearly that Attorney General Brownell recognizes the importance of caliber in judicial appointments. As far as partisanship is concerned, it should surely be recognized that his task is not made any easier by the flagrant partisanship of the appointments made over the preceding 20 years.

Although the Department of Justice is basically a great law office, it has been assigned in recent years a large number of administrative tasks. Some of these, like the Bureau of Prisons, relate closely to the administration of justice, and are appropriately assigned to the Attorney General. Others, like the custody of alien property, and the Immigration and Naturalization Service, might well be in other hands. If the Attorney General is to perform his important task of being the government's lawyer, he should be freed from administration just as far as possible. He should be an independent legal adviser, rather than the head of an operating agency.

Functioning as a lawyer, the Attorney General has displayed considerable vigor in deporting alien criminals and prosecuting violations of the noncommunist oath under the Taft-Hartley Act.

So much for the credit side of the

ledger. There has been a change in the Department, and it is for the good.

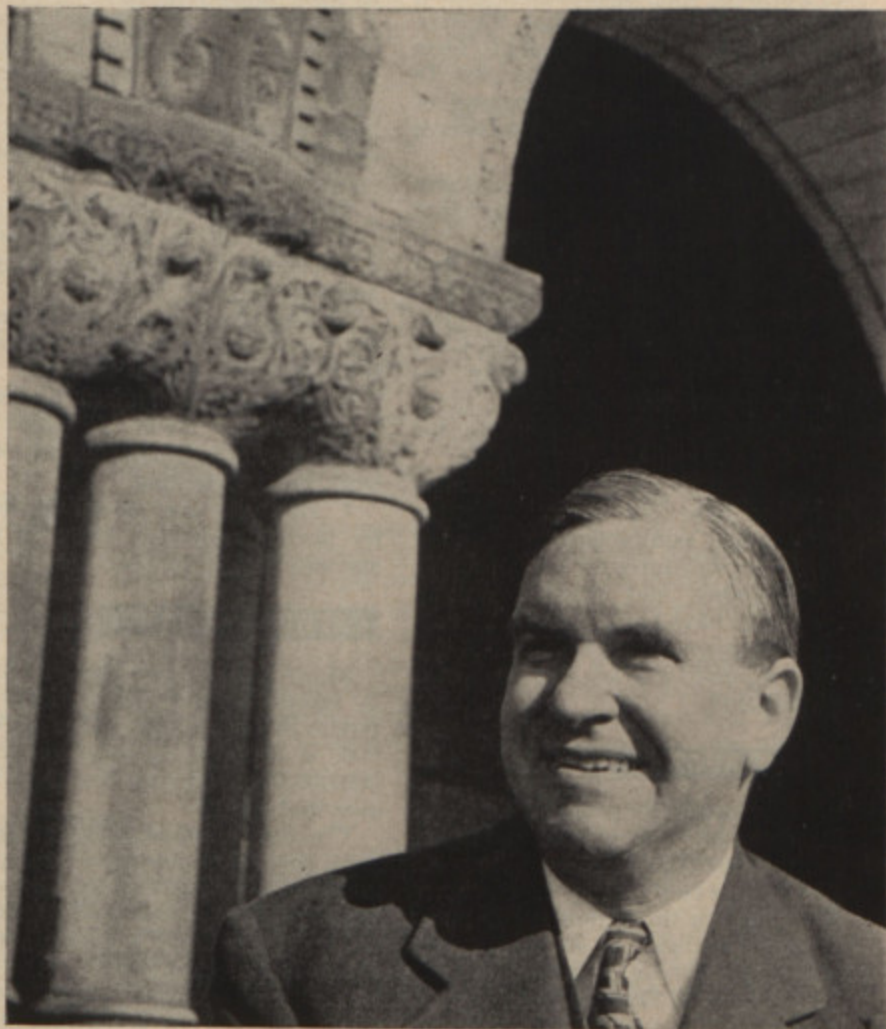
The long delay in filling the important office of Solicitor General was disappointing. This position has been held by many able lawyers, such as William Howard Taft, Lloyd Bowers, John W. Davis, William D. Mitchell, and Robert H. Jackson. The holder of the office is the government's chief barrister; his first responsibility is the representation of the government before the Supreme Court. For many years, the office has by statute been the second in the hierarchy of the Department of Justice, ranking immediately after the Attorney General himself. Yet early in his administration, Attorney General Brownell demoted the posi-

tion, and the office went unfilled for many months. This is unfortunate, for a strong Solicitor General, as experience has shown, could make an important contribution to the handling of the government's law business and to the administration of the Department.

The times in the past when the Department of Justice has been worst run have been when it was too political. To be nonpartisan, reference may be made to the administration of Attorney General Harry M. Daugherty, a Republican, and J. Howard McGrath, a Democrat. In both of these eras, the Department sank because its head regarded himself as a politician rather than as a lawyer. It is plain enough that Mr.

(Continued on page 94)

Dr. Griswold is dean and Charles Stebbins Fairchild professor of law at Harvard University Law School. He is author of several works on American legal problems



RUOHOMAA—BLACK STAR



LESS LOSS BY \$1,000,000 A DAY

By **ARTHUR E. SUMMERFIELD**

Postmaster General

WHEN the new management of the Post Office Department assumed responsibility for its direction, we faced three major problems:

1. Mail service was badly disorganized.
2. Morale of 500,000 postal employees was low.
3. The estimated postal deficit for the current fiscal year was \$746,000,000.

Our efforts to improve the postal service, lower costs to the taxpayers and make the Post Office Department as nearly self-supporting as practicable have produced these results:

Later collection schedules have been established in nearly 300 major American cities so that millions of letters which formerly laid overnight in mail boxes are now delivered up to 24 hours earlier.

Post office windows in most major cities now stay open longer to serve mail patrons after their regular work hours.

Modern rural free delivery service has been extended in more than 500 American communities, replacing outmoded fourth-class post offices.

Following our theory that the way to improve mail service is to move the mail faster, we have begun modernizing postal transportation.

As a result of our studies in this field, we have increased utilization of trucks and buses for postal transportation. The most economical and efficient use of railway transportation of mail is also under study.

Regular three cent mail is now being carried by air in a pilot operation between New York, Chicago and Washington. About 2,500,000 letters are being delivered daily in these three cities, most of them 24 hours faster than formerly. If this experimental operation proves successful this improved service will be extended.

These few highlights show how Americans are getting better mail service today.

The Congress, acting upon our recommendation, has created a Bureau of Personnel with an Assistant Postmaster General in charge.

For the first time in the Department's history we shall now have modern personnel practices, an adequate training program, and proven work standards.

We have introduced, again for the first time in the Department's history, competitive examinations for supervisory positions. Recently 50,000 postal clerks took these examinations, realizing that what they know instead of whom they know is now the factor that decides rates of promotion.

In the past year we have used our employee suggestion system more than ever before, and we are taking prompt action to put into use suggestions that lead to greater efficiency.

On Nov. 24 we opened the first regional office of the Department in Cincinnati, Ohio.

Embracing the states of Ohio, Indiana and Kentucky this decentralization of operating procedures affords the 4,000 post offices in this area greater possibilities for improving service, lowering costs and providing promotion opportunities for deserving postal employees.

In brief, we are introducing modern personnel practices and providing incentives to improve the morale of postal employees.

Since 1945, in eight years, the Post Office Department has accumulated a deficit of \$3,800,000,000. The interest alone on this sum is costing American taxpayers more than \$100,000,000 a year.

In 1952, the last year for which audited figures are available, the postal deficit was \$727,000,000.

Our predecessors estimated the deficit for the current fiscal year, starting July 1, 1953, at \$746,000,000.

So far as we could determine these deficits were complacently accepted as a matter of course.

No one was trying to make our postal establishment as nearly self-supporting as possible by efficient management and by paying equitable and realistic postage rates.

We have vigorously tackled this problem.

Already we have reduced the estimated postal deficit for the current fiscal year to about \$440,000,000.

That represents a saving of \$1,000,000 every working day.

It is a start, but only a start, in our effort to make the Post Office Department as nearly self-supporting as practicable, while at the same time improving postal service.

President Eisenhower set the goals for the Post Office Department in his "State of the Union" message delivered on Feb. 2, 1953, when he singled out the Post Office Department as an important area where waste could be eliminated as a contribution toward balancing the national budget and reducing taxes.

The President said: "The Postmaster General will institute a program directed at improving service, while at the same time reducing costs and decreasing deficits."

We are taking these orders literally.

My associates and I of the management team of the Post Office Department firmly believe this largest non-military branch of the federal government must set an example of efficient management. It must so function as to reduce the staggering postal deficit so that it may do its share toward balancing the national budget.

END

BASIC PROBLEM

BUSINESS OR PUBLIC

THE last remnant of the Post Office Department's fleet of horse-drawn mail wagons operates today in Philadelphia. One morning a year or so ago, a clocker for the Citizens Committee for the Hoover Report counted some 30 wagons setting forth.

Some of these horses have been eliminated since President Eisenhower was inaugurated. More are expected to go before long. But, as it is now, horse-drawn postal wagons still set out regularly on their appointed rounds—presumably without undue consideration for snow, heat, or gloom of night.

Throughout the Post Office Department much larger changes are getting under way—gradually. One cannot, however, be too harsh on any new Administration for not turning the Post Office Department upside down. After all, the Department is not just big: It is gigantic.

It has annual sales of \$2,500,000,000, more than 500,000 employees, and 41,000 offices. It handles some 50,000,000,000 pieces of mail a year, a volume probably exceeding that of all other postal services of the world combined. Going into the red at a rate of almost \$2,000,000 each working day, it also dwarfs competition in that field.

The new Administration is certainly trying to clear away the administrative rubble left over from years of neglect. Certainly a new *esprit*, a desire for self-betterment, has been breathed into the organization. Nevertheless, the Administration has not yet capitalized fully on its opportunities.

That the Post Office presents no easy problem either in policy or in management is clear when one looks to the size of the accumulated postal deficit of the past eight years—\$3,800,000,000.

Through efforts of the appropriations committees and of the new

Postmaster General (plus the transfer of some \$80,000,000 of airline subsidy appropriations to the Civil Aeronautics Board), the 1954 deficit should be reduced to somewhere around \$400,000,000.

To cut the deficit this far has been no simple task. To do away with it entirely will require two things: first, revision of basic policies, and second, better management. Neither of these alone can eliminate it entirely, but at this juncture the end of the deficit no longer appears an unobtainable goal.

Except for this deficit, postal policy problems would not arouse undue public controversy.

But as it is, important segments of the public have developed a series of vested interests in the deficit. They include, among others, residents of rural and outlying areas, some publishers, mail order houses, weekly newspapers, veterans' organizations, mail advertisers, church groups, and transportation companies.

The new Administration has made real efforts to reduce the deficit by bringing some elements of it into balance. Although it has attained a good deal of success, the record is still "spotty." The principal reason is that this Administration and the Congress, like their predecessors, have not yet faced up to the most important question of all:

Should the Post Office Department be required to break even?

Until this question is answered, it will be difficult for the Administration to take a firm position on many policy questions.

Subsidies give us a clear example. The Post Office is required to subsidize some types of mail by rates which cause these items to be carried at a loss. How much of a loss applies to any one class offers continuous subject matter for congressional

argument, for the recipients too often yield to the natural urge to claim that "everybody gets it but me." It may never be possible to obtain agreement on the facts regarding these subsidies. But, if the Administration is to reach some acceptable solution, it must first make a unified onslaught upon the whole policy problem.

Subsidies occur both in the costs and in the revenues which cause the deficit in the first place. Yet solutions in these two pregnant policy fields mainly lie beyond the power of the Department. The Congress or agencies reporting to the Congress usually have the final say-so. Hence, the less firm the policy stand by the Administration, the more it tends to lie at the mercy of its adversaries.

The new Postmaster General has vigorously attacked these two matters, but he has been forced to do so on a piecemeal basis. He has sought decreases in transportation costs both by appealing to regulatory bodies and by such devices as transferring certain categories of mail from the railroads to the airlines. He has also sought to reduce the costs in major post offices and to cut down the number of uneconomic units. In this his success has been considerable.

With respect to revenues he has done what he could on his own, and has presented his case to Congress and before the Interstate Commerce Commission. Rates he can control himself are being increased by \$40,000,000. Government agencies (even Congress) are being required to pay for their own mail. The Interstate Commerce Commission has granted substantial increases in parcel post rates. In Congress, a frontal attack on rate increases was made—to no avail.

But until the Eisenhower Administration and the Congress grab the

SERVICE

WERNER WOLFF—S.S.



EDWARD BURKS



By **CHARLES B. COATES** and **ROBERT L. L. MCCORMICK**

Mr. Coates and Mr. McCormick, staff aides with the first Hoover Commission—and its successor Citizens Committee, are members of Coates and McCormick, Inc., specialists in government research

principal policy nettle—whether the Post Office is a business or a subsidized public service—we will be most fortunate if anyone comes up with a real answer to the postal deficit.

The Department has had a much freer hand in the management field. It has brought in the Task Force of the first Hoover Commission, and has vigorously gone about installing that body's recommendations.

Here its record is much better. While the savings have been modest, running perhaps to \$20,000,000 a year, economies of this type will tend to bear fruit in geometric progression—as extended to additional post offices and field activities.

Improvements large and small have been effected. Among them are these items:

1. Fast division into regions under which 41,000 postmasters will eventually cease to report directly to the Postmaster General.

2. Monthly, instead of daily, audits of reports from 130,000 postal meters by departmental clerks, along with test audits. Savings: \$1,000,000 a year.

3. Termination of buying concrete mailbox posts from one supplier and shipping them all over the United States. Some transportation bills were six times the cost of the posts.

4. Removal of hundreds of postal clerks from plants of the large publishers, and substitution of accounting sampling techniques for their work. Savings: \$1,500,000 a year.

5. Elimination of heat treating requirements for body frames from truck specifications. Saving \$30,000 on one order for 100 trucks.

6. Replacement of uneconomical rural post offices by mobile units.

This last promises some important gains. Political pressure in the past has multiplied the number of small post offices beyond all reason. Kentucky, for example, is the thirty-sixth state in area and nineteenth in population; yet it has more post

offices than any other state except Pennsylvania.

On the negative side, many things which the Hoover Commission and other experts have recommended remain undone.

A few examples (aside from the Philadelphia horses) are:

1. The Department has scarcely moved forward at all on a program for making outlying or suburban post offices in some 200 areas become branches of central post offices—with large potential savings in administrative costs.

2. "Mounted carriers" in suburban or outlying areas have routes which almost universally duplicate those of parcel post delivery carriers.

3. In many cities, railway mail terminal operations and those of the city post offices go on side by side in the same building—each reporting to separate officials in Washington. The personnel are not interchangeable, wages and working conditions differ, and duplication exists. The Hoover Commission's recommendation for the consolidation or curtailment of terminal operations remains untouched.

4. In this Department with more than 500,000 employees, only nine "career men" are paid more than \$11,800 a year. In some departments, hundreds of nonpolitical employees

receive salaries in the \$12,000-\$14,800 range.

5. Some 41,000 postmasters, 32,000 rural mail carriers, and thousands of other positions continue to be filled on a political basis.

This last will call for the most courage of all. As far as the Post Office is concerned, the federal government has yet to recognize that "the key to better management is better men." Every effort to get Congress to eliminate Senate confirmation of postmaster appointments has been beaten. The Postmaster General has taken some steps in the direction of a real merit system. But until the whole merit concept is fully accepted and fully applied, the postal service will never be first rate.

The results so far make it clear that a new blood infusion has done the Department much good in managerial lines, but that it still has far to go in this direction.

With respect to policy, a national decision must be reached on the fundamental question of the real role of the Post Office in our economy. Until the Administration throws its whole weight behind the solution of that one, the Post Office Department will never be as efficient and economical as our citizens want it to be.

END



EDWARD BURKS

RESOURCES RETURN TO THE PEOPLE

By **DOUGLAS McKAY**

Secretary of the Interior

THE first year of the new Administration has been marked by a sincere effort to achieve a wise use of natural resources. This use does not mean locking up the natural resources. It does mean use by all of the people. In accomplishing this a definite voice in the management and development is being returned to the states, the local communities, and the individual citizens, with the federal government preserving the national interest.

After 20 years of centralized federal monopoly, the Department of Interior has made a substantial beginning in its effort to weld a working partnership with the people in this field.

This is most emphatically demonstrated in the adoption of a new power policy.

Here the Department seeks to get federal participation into proper focus. Hydroelectric power development has been a by-product of reclamation for half a century. For the past 20 years it has developed into a case of the tail wagging the dog, with dictation and

direction from Washington, not from the grass roots.

The original Reclamation Act of 1902 and subsequent statutes established, as the primary function of federal reclamation, the development of irrigation water for arid and semiarid lands in the 17 western states.

Nowhere in any legislation is the federal government authorized to go into the power business. In some cases where hydroelectric power is an integral or necessary part of a major reclamation development, the Department is charged by law to market the power thus created.

Congress has laid down specific ground rules for disposal of this power.

The first general rule directs the Department to distribute the power "for the benefit of the general public and particularly for domestic and rural customers."

The second specifies that public bodies and cooperatives shall be given preference and priority in the sale of power.

The new power policy seeks to reaffirm the original concept of those sections of the reclamation laws which deal with the production, transmission and distribution of electric power. Interpretations that go beyond the statutes are eliminated. Administration of the laws as they are written is the paramount precept in carrying out the power programs.

This power policy also supports the self-evident fact that the federal government has no exclusive right or divine privilege to construct multiple purpose dams, to generate power or to transmit and sell electric energy in any area, basin or region.

The Department recognizes—and the policy so states—that there is a definite place for both public and private power.

The new power policy restores to the Federal Power Commission its proper position in the development of electric power. It reaffirms a position inherent in the Federal Power Act that, where nonfederal power development meets the criteria established by this act and where the public interest is served, the ruling of the Federal Power Commission in favor of such development is paramount.

The Department will not compete with the states and local communities in the development of the nation's water resources. It will cooperate and not hamper the full development of these resources, in strict conformity with existing laws.

I do not agree with some views that the federal government should get out of the power business entirely.

The continued expansion and prosperity of the West depend to a large degree on future reclamation development. On many of the projects which the federal government will build, hydroelectric power will be an integral part. In such cases, we will recommend to Congress that the projects be built and will vigorously support legislation to achieve this end.

The new power policy adheres to the belief that the conservation and development of water resources calls for the highest degree of partnership. Without the active cooperation of the states and other groups, the federal government cannot succeed in the ultimate goal of genuine conservation.

The need for expanding the production of electric energy is still apparent in many areas, although great progress has been made in expanding generating and transmission facilities. The Office of Defense Mobilization is still concerned with the problem of expanding power and it is presumed that tax amortization benefits, authorized under defense legislation, will be continued as long as shortages exist and enabling legislation to facilitate expansion is in force.

In another area, the Department is moving ahead to

open public lands for development by individuals, either through lease, sale or otherwise. We are releasing great quantities of public lands for public entry. The withdrawals were imposed for a variety of reasons including potential military expansion, reclamation development and for other purposes. A careful inventory of land withdrawals is under way in the Department and already withdrawals totaling more than 100,000 acres have been lifted.

We have tried to concentrate on public lands which have been classified as to use. All public lands in the continental United States have not been classified, but in many cases desirable lands for grazing, homesteading and for mining will be made available.

Of the country's total land area of almost 2,000,000,000 acres, about three fourths have been at one time or another part of the public domain.

It is symbolic of our traditional national policy of reliance upon private ownership of land and our faith in free enterprise that more than 1,000,000,000 acres of this tremendous estate have been disposed of—leaving ownership of little more than 400,000,000 acres in the federal government. Most of the acreage the government has disposed of went to private individuals or associations. About 20 per cent was granted directly to the states as an early form of grant-in-aid.

Today we have a host of laws designed to assure the private segments of our economy equitable treatment in their competition to use the resources of the public domain.

Under various statutes, the basic mission of the Department is to dispose of and to integrate the public domain with the private economy.

In the process of such disposal our job is to see that all who qualify are given an opportunity to use the public domain. We are here to see that minerals, forage, timber, agricultural values, real estate values—all possibilities of the public domain—are utilized to the fullest. In harmony with the long tradition of this country, our prime goal is still private ownership of lands. This requires classification of all lands remaining in or returned to the public domain to determine which lands should be placed in private ownership.

The effort to open for settlement vast acreages in Alaska is one of the important aims of the Department. Here the federal government retains ownership of more than 90 per cent of the land. While much of this land is unsuitable for agriculture, many areas offer opportunities for homesteading, townsites and timbering.

Alaska needs more and cheaper electric power. The Department is speeding completion of the Eklutna project which will meet part of this need.

A recent agreement with a large petroleum producer for an extensive exploration program in the Territory may result in the discovery of a major producing field.

In the meantime a start has been made on the establishment of a substantial pulp industry, utilizing a national forest for a supply source, and negotiations are under way for the construction of a major aluminum industry there.

Efforts of the Department at present are to stabilize the salmon fishery, the Territory's chief industry.

Depleted salmon runs the past season have brought an emergency situation in certain areas of the Territory, which has necessitated the expansion of a public works program there.

Departmental bureaus are vigorously seeking new mineral sources.

With more flexible land policies, which will permit settlement for farming where feasible, the expansion of townsites and the possibility of the discovery of

petroleum in quantity, the prospect for Alaska's future is bright. In the opinion of many Alaskans, the Territory can achieve economic independence when statehood is acquired. The Department believes that, in its present programs, a long step forward will be taken. More people will settle in Alaska if they can buy land. More population spells more business, more business means more taxes.

In another important field, the Department is making an intensive study to restore to the American Indian his rights and privileges as a first-class citizen. To accomplish this it is proposed that the states and local communities shall take over the federal responsibility. This will permit the Indian, who is qualified, to participate in the management of his own affairs.

Education, welfare, medical care, now conducted for the Indians from Washington, will be shifted to the political subdivisions as rapidly as they can assume the burdens.

The Indian problem for more than 100 years has been one of the nation's most perplexing and difficult questions. Numerous attempts to solve it have failed for various reasons, including a multitude of conflicting laws, ancient treaties and unrealistic approaches.

President Eisenhower directed Glenn Emmons of New Mexico, the new Indian commissioner, to go out to the Indian country and consult with the Indian tribal leaders, along with businessmen and others. Commissioner Emmons is now back in Washington after traveling thousands of miles and talking to hundreds of Indians.

I might say that, for the first time in its history, the Department has a comprehensive idea of what the American Indian expects from his government. We know also how responsibility can be transferred without impairing the Indians' basic rights, where and when the states and political subdivisions can assume the responsibilities now handled from Washington.

In other words we know how far and how rapidly we can go in the effort to endow the American Indian with his inalienable rights as a first-class citizen of the United States. Many tribes are ready to assume this status now, others must wait until their economic future is stabilized.

It would be foolhardy for even the most sincere person to declare that in five or ten years, the federal government's wardship of the Indian will end. It can be said, however, with all sincerity and conviction, regardless of the obstacles which confront us, we are definitely moving forward.

Today's depressed condition of the metal mining industry has been a subject for Cabinet discussions.

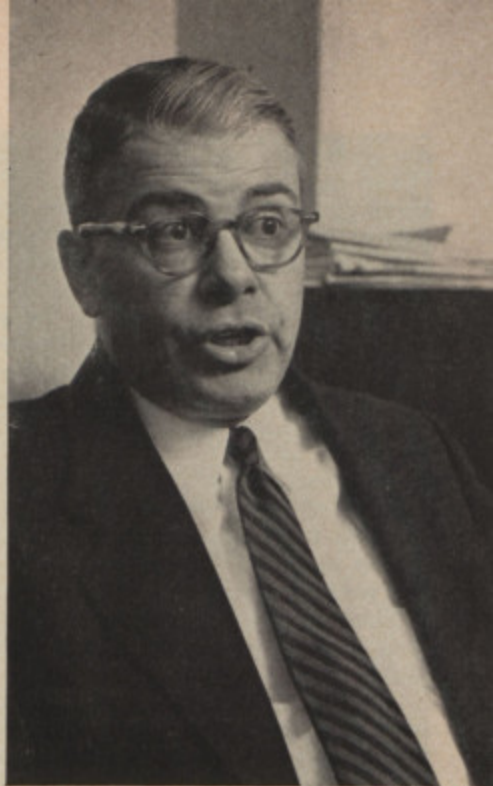
With characteristic understanding of the problem, President Eisenhower recently established a special Cabinet committee to investigate the situation.

In a letter designating the Secretary of the Interior as chairman of the committee, the President declared that one of the "essential problems before the country is the establishment of a national policy relating to the production and utilization of minerals and metals. The prudent use and development of domestic mineral resources, as well as assured access to necessary sources abroad, are indispensable to the operation of an active economy and a sound defense."

The national minerals policy, the President said, would have to be consistent with other national and international objectives.

Several active committees have already started work on the assignment. Because of the complexities of the problem it is difficult to set a target date for completion of the study which is necessary in this area. In this, as in other spheres, we expect some positive accomplishments in 1954.

END



EDWARD BURKE

By WILBUR ELSTON

A SHORT, smiling Scotchman at the head of a sprawling, multibillion dollar government empire is making a major shift in the nation's method of developing its natural resources.

Secretary of the Interior James Douglas McKay is carrying out President Eisenhower's campaign pledge to substitute a "partnership" plan for what he described as the "whole-hog" federal approach of the Democratic Administration.

To Secretary McKay, the federal government should be just one of several partners—along with the states, local communities, private interests and private citizens—in developing the nation's natural resources.

To his critics, his new policies mean that the Secretary has abdicated his responsibility to take the lead in resource development. Some even say he is engaged in a gigantic "giveaway" of the nation's resources.

Mr. McKay has much in common with the Eisenhower Administration. He is a middle-of-the-roader himself, to the extent that he even parts his hair in the middle.

Over the years he's been known as a conservative Republican who, like the President himself, occasionally has shopped on the other side of the street. He supported Wendell Willkie for President, and was mayor of Salem, Ore., when the city bought a private water power company to go into business for itself.

So far, Mr. McKay's partnership philosophy is best illustrated by the Department's public power policies. But it also is expressed on such important issues as public lands, min-

FROM PATERNALISM TO PARTNERSHIP

Mr. Elston, a veteran newspaperman, specializes in covering the activities of the Interior Department for the Washington Bureau of the "Minneapolis Star-Tribune" and the "Des Moines Register and Tribune"

eral development and the future fate of the American Indian.

Secretary McKay's public power policies have stirred up a political dust storm in Washington and the West, but the major outlines make it clear that:

1. The Department no longer is the militant advocate of public power that it was under the Democratic Administrations.

2. However, it will continue to favor construction of large, multipurpose dams for irrigation, navigation, flood control and power purposes when local interests can't afford to build them.

3. The Department flatly opposes the federal construction of steam plants to supplement its supplies of hydroelectric power.

4. It favors federal transmission lines only to connect major hydroelectric plants in a given area and to reach load centers within a reasonable marketing distance that otherwise couldn't be served at comparable rates.

5. Other than in the multipurpose dams, the generation, transmission and sale of electrical energy will be left in the hands of local enterprise, and no effort will be made to create any federal power monopoly.

6. Public power rates will be boosted to reimburse the government for the increased costs of construction and hydroelectric plants and transmission lines as well as to finance reclamation costs.

7. Preference customers—rural electric cooperatives, municipal plants and public bodies—still will get first chance at public power, but will lose some other advantages.

To carry out these policies in the Missouri basin, Mr. McKay has issued detailed new criteria to cover power sales contracts that will be negotiated early in 1954. Under these regulations, power will be sold on 20 year contracts, and the preference customers will lose the benefits of a so-called "withdrawal" clause.

This clause permitted preference customers to "withdraw" public power that had been bought by private utilities. In effect, it meant that the preference customers did not have to contract for all the power they might need, and the private utilities could not count on all the power they bought to be firm power.

Secretary McKay felt that this clause discriminated against not only the private utilities but against their customers. So he is going to sell firm power in the Missouri basin to the private utilities as well as to the preference customers.

As a result of this change, REA cooperatives claim that they will be able to buy only enough power to meet their present needs, and will lack public power to meet increased demands in the future. In rebuttal, Mr. McKay and his lieutenants point out that preference customers will buy most of the power that will be available in the Missouri basin. In addition, they claim that any sales that are made to private utilities on a firm power basis will yield the government more revenue and may even make possible a reduction in rates for all, including the preference customers. However, some Administration supporters are urging a compromise on this issue, fearing that if the present policy stands REA

cooperatives will make a flood of requests for REA loans with which to build their own generating plants.

Fred Aandahl, Assistant Secretary of Interior, declares that sales to private utilities and the expected reduction in the difference between federal and private power rates also "should materially reduce the unfortunate pressure on local communities to establish local public power entities just to get federal hydropower."

This comment was aimed at a policy of the Democratic Administration, since discarded by the Republicans, that said:

"Active assistance from the very beginning of the planning and authorization of the project shall be given to the organization of public agencies and cooperatives for the distribution of power in each project area. The statutory objectives are not attained by merely waiting for a preferred customer to come forward and offer to buy power."

Republican critics regarded this policy as a directive to federal officials to use the preference clause to build power loads for the federal government. They pointed to the statement of one Reclamation Bureau official in Mitchell, S. Dak., a few years ago who warned that "Mitchell will not be able to get one kilowatt of power from installations at dams on the Missouri River unless it sets up a municipal power system."

It was this policy and this type of activity that led private utilities and Republican politicians to accuse the Democrats of trying to "socialize" the nation's power industry.

Mr. McKay has not yet called the Tennessee Valley Authority "creeping socialism," but he does oppose regional river valley authorities patterned after TVA. He is not convinced, for example, that the people of either his native Columbia River valley or the Missouri River basin really want such authorities to

(Continued on page 95)

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FARM GOAL: PERMANENT PROSPERITY

By EZRA TAFT BENSON

Secretary of Agriculture

IT IS VITAL to the American people that we make our agriculture as strong as possible.

From our farms comes the food that has helped to make the American worker the most efficient in the world.

Almost two thirds of the raw materials that enter into our manufacturing and processing industries are produced on American farms and forest land.

Thus the health of our people, their security, their prosperity, and their future, depend heavily upon the strength and capacity of our agriculture.

Therefore, when we set out to build strong and enduring farm programs we are not working in the interests of farmers alone—important though that is. We are helping to make sure that the American consumer can continue to enjoy the highest standard of living in the world.

A sound and prosperous agriculture, producing abundantly and free to adjust to changing market demands, is the goal of our agricultural policy.

This goal calls for plentiful production for domestic and foreign markets, and for attractive, rewarding incomes to farm producers. It calls for better living for farm families in terms of physical comforts, and for greater individual liberty in terms of freedom from government interference with farm operations. It calls, too, for better living for consumers, based on ample supplies of farm products at reasonable prices.

We can reach this goal if we have the needed wisdom and courage. This is the promise the future holds out to us.

Mainly, it is the promise of larger markets here at home. Our nation is growing rapidly. Already we have a population of 160,000,000, and within the next two decades this total probably will pass 200,000,000—a 25 per cent increase. We are growing by more than 2,500,000 a year—approximately 7,000 a day. These are new mouths to feed, new bodies to clothe—right here at home, in our best and richest market.

In addition, the world will continue to need substantial amounts of our farm exports.

Here is a promise of steadily increasing stability for our agriculture. We need to keep this picture clearly in mind, even while we contend with our immediate difficulties.

In the Department of Agriculture, we have been, since last January, developing policies and programs

that will carry us toward permanent farm prosperity—that will help us achieve this promise of the future. We have called on the land-grant colleges and universities, the major farm organizations, and congressional leaders for their help in this, and we have received unstinting cooperation. What we are seeking in our joint efforts is a re-direction of old programs, and the institution of new ones, designed specifically to meet our needs today and in the future. The old ways are too restrictive, too defeatist, to serve the welfare of the American people.

The Administration's problem thus far has been twofold. Our first and most urgent job last January was to cope with immediate problems and difficulties, especially those involved in the downtrend of farm prices since early 1951. Many people did not realize how steep this downtrend had been before our Administration took office.

In February, 1951, farm prices averaged 113 per cent of parity. A year later, they were 100 per cent of parity—down 13 points. A year after that, in February, 1953, just after we took office, farm prices were down to 94 per cent of parity—another six-point drop. Since then the parity ratio of farm prices has been relatively stable. But as a result of these declines, the farmers' net income in 1953, in terms of purchasing power, was one third less than in 1947—and the lowest of any year since 1940. Businessmen know that the nonfarm part of our economy cannot long be prosperous if the farm part is on short rations.

To cope with our current difficulties, we have acted on a broad front to bolster farm prices and to promote necessary adjustments of production.

Last February, cotton farmers were cautioned that unless they reduced acreage the law would require acreage restrictions in 1954. Also in February we announced continuance of price supports for dairy products at 90 per cent of parity. Accompanying this action was a request to the industry to help us develop a better program for 1954.

In July, acreage allotments were proclaimed for wheat as a step toward eliminating burdensome supplies. Wheat producers then overwhelmingly approved marketing quotas, thereby assuring price supports at 90 per cent of parity for wheat production within the quotas.

Later, as soon as cotton crop prospects became clear,



we proclaimed acreage allotments for the 1954 cotton crop. Cotton growers showed their convictions on this in their vote on Dec. 15.

These are definite actions to bring our production into line with market requirements—a basic need in the price situation.

Also, we had to deal with a widespread drought. We have attacked our problems here in five ways:

We have made hay and feed available to drought-stricken farmers.

We have obtained freight reductions of 50 per cent from the railroads on feed shipped in and cattle shipped out of the drought areas.

We have set up an emergency credit program.

We have bought great quantities of beef.

We have cooperated in an aggressive beef merchandising program.

We have used our full resources to put beef into stomachs, not storage. The record shows that beef prices are now more stable and that consumption has increased remarkably. Beef consumption in 1953 was about 75 pounds per person, the highest on record.

This rise in consumption, implemented by our purchase program, was sufficient to stop a rise in the cattle supply that had been under way since 1949. With slaughter of 36,000,000 head of cattle and calves in 1953—30 per cent above 1952—we had severe price declines. But the adjustment of output to market demands is now well under way, and we know that this is the road to better, sounder conditions in the industry.

As directed by Congress, we have continued to support prices of basic farm commodities at 90 per cent of parity. These supports have continued to give temporary aid to many farmers, especially producers of wheat, cotton and corn—although they have resulted in a rapid build-up of our storage stocks. Also, we have aided wheat farmers over a bad situation by granting them special supports for wheat stored on the ground. We inherited these immediate problems from our predecessors—the slide in farm prices and the growth of farm surpluses. Under pressure of time, we have dealt with them as best we could, using whatever tools were available.

However, for the longer pull we need new tools, bet-

BENSON

ter tools, and a generally new approach to our problems. The current situation of agriculture and prospects for the future do not call for negative, defeatist, regimented action. Instead, they demand a bold and imaginative approach that will unleash the energies of free men and help us push ahead toward the goal of permanent farm prosperity. The new program soon to be suggested to Congress will be aimed at meeting these needs.

Through our new Commodity Stabilization Service we are continuing with a program of price supports which, when properly used, are an effective stabilization device. The price support principle must be a part of any long-range farm program, although supports should not be used in ways that will discourage needed shifts in production and in the use of our land and human resources.

I recently received a most interesting letter from a New England manufacturer. One paragraph reads:

"Agricultural price supports are the penalty we must pay for our failure to solve the farm marketing problem. Farm products can, and ultimately will, be marketed right up to the capacity of farms to produce these products. It won't be done this year or next, but eventually new foreign markets will be created for our farm products and, more important, a great deal of the agricultural products will have to be converted to industrial uses. The solution of the problem lies in those two areas. It is high time industry and government recognized that a research program designed to create new conversion uses for agricultural products in industry is highly important."

I heartily agree that farm price supports are part of the price we pay for not solving our marketing problem. And I appreciate that manufacturers and businessmen are aware of the importance of agricultural well-being as a basic element in national prosperity.

We have some major questions to decide about price supports. Whether supports at a uniform percentage of parity should be continued indefinitely regardless of the supplies on hand is a major question of agricultural policy. However, we are bearing in mind that the surpluses we now face are the result of special conditions. By special conditions I mean that the government itself, almost every year for more than a decade, has urged farmers to produce all they could. First, all-out production was needed to win World War II, then to feed the people of war-devastated countries, and, more recently, to help achieve victory in Korea and in the cold war.

Farmers responded wholeheartedly and patriotically to these calls by setting new production records year after year. Last year, still geared up for emergency production, their output was more than 40 per cent above prewar notwithstanding the drought.

It is a fact that someone in the preceding Administration miscalculated what our needs for farm products would be during the cold war. Perhaps that was unavoidable, and perhaps not. But certainly it was not the farmer's fault. He was doing what he was told was in the national interest, and should not be penalized because we now find ourselves with excessive stocks of his products.

Our problem now is to adjust our production to the needs of our times, and to find ways of working off the surpluses on hand, so that any new farm program can bring about a firmly based farm prosperity—which will promote the well-being of the whole nation. With the blessings of Providence, our people—working together—can and will develop an all-American farm policy.

END

OUR 5,300,000 farms directly support 24,000,000 people: proprietors, their families and hired help. When we include the personnel of flour mills, our packing plants, our manufacturers of farm equipment, and others with a similar stake in agriculture's health, we see clearly how this question transcends the particular interests of grain grower, rancher, dairyman and all the rest who make up that composite figure, the American farmer. His well-being is a national problem, economic and political, becoming ever more important over the past 30 years and never more so than now.

To prosper, even to stay solvent, the farmer depends upon the ability of the American consumer to buy food in high quantity, quality and variety. Conversely, the U. S. living standard is inseparably linked with the farmer's income. His products account for 25 per cent of all U.S. exports; his ledgers reflect the state of the world market, and our country's place in it. And since the prices he gets for his wheat and many other products are largely determined by action of Congress, he tends to look upon his vote as the sheath of his economic nerve.

The nub of our farm policy, over the past two decades, has been the price support program to control production.

It was started in 1933 to help raise farm prices and income from depression lows. Some control of production had to be instituted to this end. Parity—a ratio between the price the farmer gets for a commodity and his costs in producing it—with 1910-14 as the base period—was accepted as the goal. During the first eight years of this program, supports were generally well below the more recent 90 per cent of parity figure adopted during World War II as an incentive to farmers to achieve all-out production.

Demand was strong enough during World War II, as well as in the early postwar years, to bring prices above the support level. So the program served mainly as a measure of standby protection. But the past two or three years have brought a return of

SEEKS A MIDDLE COURSE

By O. B. JESNESS

surpluses, and the 90 per cent support again has come into play.

It is this price support idea, in its present form, around which controversy has surged ever since Secretary Benson took office. On this issue our farmers are sharply divided both as individuals and as members of such organizations as the Farm Bureau Federation, the National Grange, and the Farmers Union.

Some want the government to continue shoring up prices at 90 per cent of parity or close to it. They argue that this process has become a permanent fixture of our farm economy; that to remove it, revise it drastically, or even tinker with it would tear down an intricate economic machine that has, on the whole, functioned successfully and rescued our farm population from the insecurity which plagued it before and during the great depression.

Others are worried about the restrictions inflexible price patterns impose upon the rights to produce and sell. They would like pricing to be left up to the supply and demand forces of the "natural" market, during reasonably normal times, while the government keeps in reserve various emergency measures to be invoked when slumps impend. They assert further that the price support is, at best, an imperfect mechanism for regulating output; they point out that, when it is accompanied by the related device of cutting acreage by allotment, the cotton grower, for example, may plant fewer acres, but work them more intensively, using more fertilizer and insecticide, and by this means maintain output virtually as high as if no reduction in acreage had been in effect.

Still others are concerned about the loss of foreign outlets, claiming that the rigid price support structure is taking the American farmer out of the world market.

The Truman Administration favored high price supports which the Eisenhower Administration, under existing law, is bound to carry out through 1954 at 90 per cent of parity for the basic crops of wheat, cotton, tobacco, corn, peanuts and rice, with some others also supported at speci-

fic levels. The decisive question, therefore, is what is going to happen when this legislation lapses?

It is against this background that Secretary Benson's general statement of policy, set forth last February, acquires special significance. He then warned against "undue concentration of government power." He also declared that "price supports should provide insurance against disaster to the farm producing plant and help to stabilize national food supplies." He said, further, that we should avoid the kind of price supports that hinder shifts in output that could bring supply and demand into closer balance, and which encourage "uneconomic production" that results in "continuing heavy surpluses and subsidies."

With this pronouncement, the tumult began. Proponents of the current price support system recognized that the Secretary had spotlighted its vulnerable points. It seemed obvious that, if his views were to prevail, the days of the fixed mandatory price support were numbered. His use of the word "disaster" was cited often as indicating an intent not to aid agriculture until it was well along the road to ruin. While this extreme interpretation of his approach was hardly justified, it has been wielded tellingly by his foes.

It is often asserted that it was the Secretary's political innocence which prompted all this clamor over the future of price supports. This may be true, within limits. Yet it is hard to see how he or anybody else could have taken a stand on such an urgent and fundamental issue without inviting controversy.

His position has been made more difficult by the 6.4 per cent decline of farm prices during the first ten months of 1953 with no corresponding slide in operating costs. Although this descent was 4.6 per cent less than that of 1952, the reaction of many farmers goes beyond statistical comparison. Their attitudes are colored by fear of a return to depression depths, when corn went begging at a nickel a bushel, a psychology which pervades many farm sectors even though today's underlying economic conditions differ pro-



Dr. Jesness, head of the Department of Agricultural Economics, University of Minnesota, since 1928, has written extensively about national farm problems

foundly from those in the early 1930's. In any event, many politicians, including not a few Republican members of Congress, seem to be very conscious of the strong political appeal exerted by the program of price supports, and discord over this question is rising in G.O.P. ranks.

The Department of Agriculture is proposing its own new policy to go into effect after 1954. It is not likely, when fully spelled out, to include an indefinite extension of the current price support apparatus, but rather to recommend a middle course, a more elastic "sliding scale" arrangement of price supports. The aim here is to enable the farmer to adjust more flexibly to market shifts while safeguarding him against too sharp a drop in earnings by setting a series of price "floors," lower than at present. However, with congressional elections just over the horizon, some senators and representatives may feel that ballot-box considerations rule out attempts to modify the present procedure and will prefer to extend it for another two or three years.

Meantime, Secretary Benson, in his efforts to expand agricultural markets for 1954, faces a double di-

(Continued on page 80)



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FOR BUSINESS: SUPPORT, NOT SPOON-FEEDING

By **SINCLAIR WEEKS**

Secretary of Commerce

THE Commerce Department in the Eisenhower Administration aims to foster business rather than to spoon-feed business against its wishes.

The thinking of former years in Washington seemed to be *government in control*—running too many enterprises in competition with private industry, telling business too much how to run its own affairs—veering away from private competitive enterprise toward socialistic schemes.

Today the idea is *government in support*—clearing away obstacles to business progress—stepping into the picture to encourage and help business and by doing those necessary things in emergency and normal times which private enterprise is unable or unwilling to do.

In order to do its job more effectively, the Commerce Department first set up study groups to recommend policies to meet modern conditions and then reorganized to carry out those policies efficiently, swiftly and with less personnel and expense. The working force has been reduced by 8,421, or more than 16 per cent, and the appropriations in the inherited budget reduced by \$272,000,000, a cut of 24 per cent.

The Department took the government out of competition with private enterprise by selling for \$12,000,000 the Federal Barge Lines which in 12 out of the past 14 years had lost money.

The Department removed approximately 50 controls on materials and production.

It has established a new Business and Defense Services Administration to plan industrial defense mobilization and to provide an exchange where private industry and government can swap information and ideas on problems affecting business. In this manner business opinion is channeled directly to the appropriate places in government.

The Department, in cooperation with the Office of Defense Mobilization, Department of Defense and Atomic Energy Commission, is blueprinting industry's role in the event of military crisis. It operates the Defense Materials System so as to provide defense

materials with the least dislocation to the civilian economy.

The chief purpose of the Department is to foster, promote and develop business—of all sizes.

But small businesses in particular find aid in the solution of their special problems in the wealth of facts gathered by the Department and in the many business services provided by our Offices of Distribution, Technical Services and Business Economics and other agencies.

For example, most small concerns are unable to maintain research facilities. It is our aim to make the fruits of Department research more readily available. Census data provide expert knowledge as to best locations, population trends, marketing possibilities, housing developments, etc. Information is given on scientific developments and international markets.

Explanations are made of economic indices and other guidance is given.

A special Office of Small Business in the BDSA maintains liaison with the Small Business Administration to expedite the joint services to small business.

The Department's 33 field offices and 875 local co-operating chambers of commerce and trade groups have staff experts and printed information designed to help local business of every size.

BDSA experts, by studying and recommending revisions in tax laws, distribution legislation, and other matters, are getting at the roots of situations that cause hardship and failure to business.

Preventive measures as well as cures are ways Commerce believes business troubles can be eased. Business boondoggles even at best are rather ineffectual make-shifts.

Creation of conditions for healthy business is the wiser way to business success and expansion.

The Department recently established a Bureau of Foreign Commerce, grouping together all agencies concerned with foreign trade and investment. Even before the Randall Commission recommends broad new ap-

SPECIALISTS SHAPE COMMERCE FUTURE

By ARTHUR E. BURNS

proaches to stimulate two-way trade, the BFC is utilizing means at hand to expand foreign commerce.

Available to importers and exporters are services on foreign tariff, trade control, foreign commercial laws and taxes, trade lists and reports on foreign firms, trade leads, basic statistics, export control operations, etc.

Special attention is directed to stimulate trade with Latin America through publication of sizable reports on respective countries. Upon receipt of our latest, "Investment in Colombia," a business executive wrote: "This report gave me twice as much information in two hours of reading as two years of investigation through other channels."

The Department, through its Maritime Administration, Bureau of Public Roads and Civil Aeronautics Administration, is promoting transportation facilities. The list of specific areas of construction, control, safety, education, introduction of technical devices and procedures and other progressive steps by these great operative agencies would be too long for this article.

As a measure of efficiency, economy and reliance on the enterprise of private business, the Department is studying what should be modern government's role in the field of land, air and sea transportation. A basic principle held by the new Administration in Commerce is that government should withdraw from the transportation business except to the extent required by national security needs and those promotional activities and reasonable regulatory processes that can be clearly justified as responsibilities of the federal government.

New steps have been taken to encourage the entry of private financing into such fields as the construction of ocean-going merchant vessels. Certain functions previously carried on by the government in aviation development have been turned over to private industry and local authorities.

At the same time, new studies are being carried on to determine clearly the basic needs of the nation for shipping, aviation and highway transportation for national defense. Close cooperation is being maintained with the industries concerned.

Production is continuing on the Mariner ships, the largest and fastest class of freighters in the world. Restrictions, except those designed to keep ships out of communist control or trade, have been lifted for American shipyards building for foreign accounts.

New developments in air navigation aids have been achieved, working in cooperation with private industry.

No brief summary can fully describe the scope of the many activities by Commerce to foster business and thereby to benefit investors, managers, workers, customers and others favorably affected by business prosperity.

To some there may seem to be little that is spectacular in a set of statistics or reports on commercial construction, imports from Canada, rate of births, new patents, weather forecasts, geodetic surveys, scientific developments and gross national product.

But these raw materials of knowledge can be digested and used by the public to discover new ways to create new business and new jobs, to foresee prosperity prospects and in hundreds of ways to make Americans better informed as to situations which can be vital to their well-being.

Commerce not only keeps the nation's diary but in its massive accumulation of facts and figures offers the nearest thing to a trustworthy crystal ball in which the informed and the wise can at least see an outline of tomorrow, based on what is known about yesterday and today.

END

THE widely publicized bobbles of Sinclair Weeks have left the unfortunate public impression that the Administration's Secretary of Commerce is something of a wild bull let loose in the china shop.

The fact is, however, that aside from the much headlined mistakes, Secretary Weeks has done more in his first year of office to strengthen the Department of Commerce—and lay the groundwork for rebuilding it toward important stature—than his predecessors accomplished in the previous 20 years.

Congress created the Department of Commerce in 1903 to "foster, promote and develop the foreign and domestic commerce; mining, manufacturing, shipping and fishery industry; and the transportation facilities in the United States."

The Department flourished into maximum national usefulness and importance under Secretary Herbert Hoover. Beginning in 1933, the Democratic administrations, with their deep-seated suspicion of anything having to do with Hoover or business, generally hamstrung the Department of Commerce with its potential value to the nation.

At the time the Eisenhower Administration moved in, the Commerce Department, despite its 50,000 personnel, was permitted to do little to "foster, promote and develop" domestic commerce, and even less to stimulate foreign commerce; it had nothing to do with fisheries; and was only one of ten or so agencies with a hand in transportation.



EDWARD BURNS

Dr. Burns is dean of the School of Government, George Washington University, coauthor of "Modern Economics," and a writer and consultant on trade and economic problems

In naming Mr. Weeks as Secretary of Commerce, President Eisenhower chose a man who, unlike his predecessors of two decades—including a social worker, an expert in agriculture, and businessmen politically and philosophically closely identified with the New and Fair Deals—was representative of the American business community in its attitude that there should be less, not more, federal intervention in industry and commerce; more, and not less, businesslike methods in the operations of government.

Just as the New Deal and Fair Deal had been suspicious of business, business had been suspicious of the government, and of the people working for the government. Secretary Weeks, reflecting this viewpoint, got himself off to a bad start by announcing that he would demand a day's work for a day's pay from the employees of the Commerce Department. This comment, with its innuendo that Commerce employees had not been turning in a full day's work, was hardly one to win the confidence of his employees.

Secretary Weeks' suspicion of the career workers was so strong that he largely ignored the able and capable "old pros" in the Department who understood the complex workings of government. Instead, the Secretary leaned heavily on the advice of his "new team" of businessmen, most of whom, like Mr. Weeks himself, had little experience in government op-

erations, and mistakenly believed that government business could be conducted like ordinary business through quick decisions and action.

Thus, in following up the Republican campaign pledge to reduce the size of big government, Mr. Weeks moved swiftly to cut the Commerce Department's payroll by 8,000, or 16 per cent. Even skillfully handled, reductions in force and internal reorganization in government cause the bureaucratic engine to sputter. The reduction in force at Commerce was not skillfully handled—the advice of the Department's old hands in such matters was disregarded—so that the resulting dislocation was sharp and severe.

Secretary Weeks started out with the essentially correct view that Commerce was overstaffed, but his reduction in force went too fast.

One of the early problems the new Secretary had to meet was reducing the size of National Production Authority—set up during the Korean conflict to handle materials controls—from 1,300 personnel to 400. Here, Mr. Weeks, acting on the counsel of a new assistant secretary, paid scant attention to the Civil Service rights of the careerists. Before this controversy was ended, the Commerce Department had to reinstate 200 workers it had originally dismissed and remove 200 others, a needless dispute which cost Mr. Weeks heavily in time to straighten out, and cost the Department heavily in lowered morale. The issue cost the taxpayers something, too, since

little was done in this sector of Commerce while the controversy raged.

Over the course of the year, Mr. Weeks has learned that government career workers do know something about the business of running the government and that there is excellent leadership personnel among them. He has brought many able "bureaucrats" into his "team," making for a smoother running, more efficient operation.

Secretary Weeks' most spectacular blooper was his hasty decision to fire Dr. Allen V. Astin as director of the National Bureau of Standards in the midst of a controversy over the worthiness of a battery additive. The Bureau had found the additive valueless; the maker of the additive challenged the finding, in part on the ground that the government was interfering in free enterprise.

Surprisingly, Secretary Weeks jumped into the fray by dismissing Dr. Astin. Mr. Weeks took the position, consistent with his personal philosophy that the less government interference in business the better, that the battery additive had passed the "play of the market test." Therefore, if the customers were satisfied, and not being injured by the product, why should a government agency get into the act?

Again, Mr. Weeks showed an unfamiliarity with the inner workings of bureaucracy. He did not seem to realize that in firing Dr. Astin he was attacking the integrity of all government scientists. The outcry of scientists inside and outside the government, and the counsel of wiser heads, persuaded him to withdraw his ouster order.

It was soon after this incident that the Assistant Secretary who had been Mr. Weeks' chief adviser in the Astin affair and in the NPA reductions in force left government to return to his business. Assistant Secretary James Worthy, who had joined the "new team" out of Sears Roebuck, moved up as Mr. Weeks' key lieutenant on management and personnel. Events since have proved that the "team" could move both quietly and forward.

The sensational row over the battery additive obscured an important change in the operations of the National Bureau of Standards—a change wrongly interpreted as punishment of Dr. Astin. The Administration ordered a shift of all military research and testing from the Bureau to the Department of Defense, where such activity belonged. Administratively, it was a good move, and should have been done long ago.

So Secretary Weeks made mistakes, but the indications are that he learned from his mistakes. He failed,

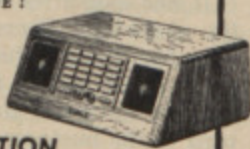


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for example, to put up an early and vigorous fight to save the business and other censuses when the economy-bent Eighty-third Congress slashed the appropriation for his Census Bureau. Since, however, he has put an Intensive Review Committee to work analyzing the Bureau's operations and potential. As a result, it now appears the Census Bureau will be expanded so that it will provide better service to business and to the country than ever before.

What hasn't been generally realized is that Mr. Weeks has been undertaking the same critical approach to other fields under the wing of the Commerce Department. Specialists in management engineering are looking into civil aviation, transportation, weather, and other activities of the Department. The Hoover Commission's reorganization recommendations are being brought up to date with the aim of rebuilding the Department.

Biggest stride forward made by Secretary Weeks has been in reorganizing the Department's foreign commerce setup. Under Secretary Hoover, the Commerce Department had played an important role in the development of U. S. foreign trade. This role ended soon after 1933. The consular service was shifted to the State Department, and the Commerce Department was so emasculated that it could scarcely keep up with the need for adequate trade statistics and other information useful to business.

During and after World War II a series of new agencies was set up to deal with foreign trade, and materials controls were placed outside of Commerce. In the end, the remnants of these special agencies were given over to the Commerce Department and formed into a weak unit dubbed the Office of International Trade, whose services were impaired by the division of authority over foreign trade still left with other agencies.

Secretary Weeks has put new life into the Office of International Trade. First, he renamed the unit Bureau of Foreign Commerce. Then he slimmed it down, and gave it a revitalizing mission. Its plans are ambitious. Foreign trade promotion is scheduled for tremendous expansion, especially in Latin America. American investment overseas will be encouraged. Efforts will be made to provide American businessmen and investors with a wide variety of statistical and informational services.

This renewed emphasis on foreign trade and investment fits into the Administration's "trade, not aid" thinking. It means a broadening of

Commerce Department activities, and looks to the ultimate reduction in American grants-in-aid to foreign countries. To this end, the Commerce Department is preparing to assume a major part in the Administration's "decreasing reliance" program.

Aware that decreasing aid to the free nations must be succeeded by increasing trade, the Administration intends to help Western Europe find other markets for its goods to ease the mounting pressure for trade with Iron Curtain countries. Commerce could provide the leadership for such a program.

This year, too, the Commerce Department can be expected to start making use of its Business and Defense Services Administration, or what's left over from the staff-reduced National Production Authority. This unit is supposed to be a stand-by, in case of a new emergency, to be mushroomed into a materials controls agency. However, Secretary Weeks has given it little, if any, peacetime function. There's a possibility, though, that, having made progress on other problems which he has considered more pressing, Secretary Weeks will utilize the Business and Defense Services as an information gathering and distribution center for small business.

During the past year, Secretary Weeks demonstrated that the Department of Commerce, and not solely the Department of Labor, had an interest in management-labor relations. On at least two occasions, he joined the Secretary of Labor in seeking to end major industrial disputes. Secretary Weeks also took the position that he was spokesman for business in government when insisting that his views be given consideration in any proposed revision of the Taft-Hartley management-labor relations act. More on this score is certain to be heard from Mr. Weeks in 1954.

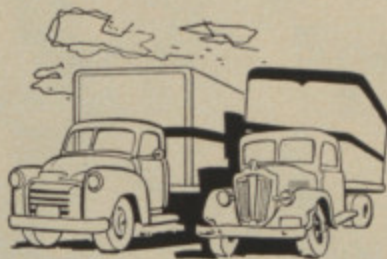
Secretary Weeks can be expected to try to bring now-scattered activities—such as fisheries, under Interior Department—back in the orbit of the Commerce Department where they belong. Just how far he will get in integrating all transportation agencies, sprinkled through the structure of government, into his own agency is conjectural. Pressures of vested interests and politics are involved in any such consolidation move, and the final answer will have to come from Congress.

For the Department of Commerce under the new Administration, 1953 was devoted chiefly to planning, preparing, and laying the groundwork for expansion; 1954 will be primarily given over to bringing these plans and beginnings into fruition. **END**

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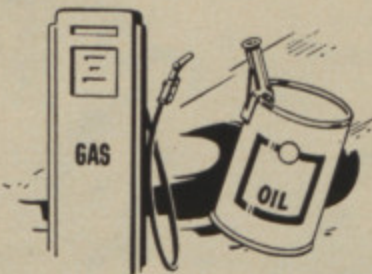
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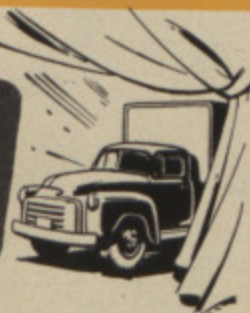
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LABOR

IS NOT A CLASS APART

By **JAMES P. MITCHELL**

Secretary of Labor

THE Department of Labor has its duties set only in general terms. The Act of Congress establishing the Department 40 years ago assigned to it the responsibility to "foster, promote and develop the welfare of the wage earners of the United States."

It is my firm belief that the Department must, as the first Secretary of Labor stated, discharge its statutory responsibilities "in harmony with the welfare of all industrial classes and all legitimate interests, and by methods tending to foster industrial peace."

The concept of fairness toward every segment of the economy which Secretary Wilson enunciated 40 years ago will be the policy of the Department of Labor while I am Secretary.

The welfare of wage earners can and must be promoted with due regard for the national general interest. Labor is not a class apart. Workers have interests, needs and aspirations as part of the American public as well as in their role as wage earners. Since workers and their families comprise the overwhelming majority of our population, their personal welfare and the welfare of the nation are frequently—but not always—promoted or impaired by the same developments.

Workers' interests as individuals and as members of the public usually do not conflict, but when they do, workers and the Labor Department both must put the national welfare first. It does labor no good to promote its own interests and wreck the American economy of which it is a vital and integral part.

Wage earners and the Department of Labor both have the intelligence to recognize this fact and the good sense and statesmanship to make their decisions in the light of this overriding consideration. Consequently, the Department of Labor can actively promote the legitimate interests of labor and still be fair to other important groups and to the general public.

I have approached my task as Secretary of Labor with an open mind. For some years I have been familiar with the work of the Department. I do not think that everything the Department has done during that period has been right. Neither was everything that has been done wrong.

In the belief that reconsideration of past policies is essential to progress, I am carefully reviewing all the programs and operations of the Department and making changes where changes are needed. Nothing that has been done in the past will be considered sacrosanct, nor will anything that has previously been done be discontinued without fair consideration.

We shall change the method of doing some things,

and have already taken steps to improve our administrative machinery. We shall change the emphasis and direction of some of our programs, and have already considered some changes which will have this result.

During past years, the assistant secretaries of the Department of Labor did not have direct supervision over the programs and bureaus of the Department. A few months after this Administration took office, my predecessor gave the assistant secretaries authority to supervise and direct the operations of the various bureaus.

The results of this experiment are being carefully watched. We are considering whether it would be better to delegate responsibility to the assistant secretaries in substantive fields and have them supervise bureaus on a functional basis, or whether it is better to continue the present organization on a line basis. One thing is already clear, however—the decision made by this Administration to give assistant secretaries of labor, appointed by the President and confirmed by the Senate, authority to supervise departmental programs directly is fundamentally sound.

The Department's legislative programs are primarily in the fields of industrial relations, employment security, and minimum wages. We are working toward early amendment of the Labor-Management Relations Act of 1947. The goal of our changes will be to provide maximum encouragement of collective bargaining, peaceful relations between labor and management, and a minimum of government intervention in labor relations.

The Department of Labor has undertaken a national study of the federal-state unemployment insurance system. In cooperation with the state employment security agencies, the Department has studied how unemployment insurance beneficiaries are getting along on the present scale of benefits paid them.

We are also recommending extension of the unemployment insurance system to a substantial number of workers not now covered by it, including both those working for small employers and federal employees.

The value of the Wage and Hour Law as a floor under our economy is recognized. We are determined that this statute shall be used to give protection to the widest practicable segment of our economy. It is therefore recommended that the coverage under the statute be extended to bring its benefits to more workers.

We have also recommended that the minimum wage

LABOR

LABOR POLICY SHOULD BE IMPARTIAL

By **CLARK KERR**

THE Secretary of Labor, any Secretary of Labor—whether Martin Durkin or James Mitchell or the man after him—has perhaps the least enviable position in the Cabinet; and there is little he can do about it. The problems are inherent in the position.

The Secretary of Labor, no matter how good he is (and Mr. Durkin and Mr. Mitchell are both able, experienced men and both, incidentally, developed excellent internal staff relations), is certain to have less power and to be subject to more inevitable criticism than any other Cabinet officer. No evaluation of the Department of Labor during the first year of the Eisenhower Administration can fairly be set forth without emphasizing the basic dilemmas which confront any man and either party when in power, but particularly the Republican party.

First among these dilemmas is the question:

To be partial or not to be partial.

The Act setting up the Department of Labor was signed by President William Howard Taft on March 4, 1913. The Department was created explicitly to further the interests of workers. The Act read: "The purpose of the Department of Labor shall be to foster, promote and develop the welfare of the wage earners of the United States, to improve

fixed in the statute be kept at a level consistent with economic conditions and the size of the work force it covers. It is futile to have a wage law which provides an ever higher minimum wage for an ever smaller number of persons. It is also useless to have a law which purportedly covers so many people yet really provides protection for very few. Between these two extremes, we shall steer our course.

The Department will use its resources to the maximum to promote employment opportunities for those able, willing and seeking to work. While recognizing that the economic health of communities depends primarily upon local effort, the Department's Bureau of Employment Security will assist communities in developing employment opportunities for their workers.

We shall seek to promote, through the International Labor Organization, higher standards of living in other nations, to promote a better way of life for persons in other lands, to eliminate the poverty on which communism breeds, and to eradicate the unfair competition of substandard working conditions in the world market.

The Labor Department will also seek to promote peace through support of the American foreign policy, by assisting the Administration in taking into account the aspirations of workers in developing policy, and by encouraging labor's support for our country's foreign policy objectives. The government's technical assistance and exchange-of-persons programs will promote better understanding and better relations between workers in the United States and in other lands.

Through its Office of Manpower Administration and Bureau of Employment Security, the Department will assist agencies of government, labor and management in developing a voluntary manpower program to deal with problems of partial or full mobilization. The Bureau of Apprenticeship and the Bureau of Employment Security will also seek to expand the group of skilled workers available for peace or national defense.

The Department of Labor will assist the states in rendering the maximum service through their employment security offices to youth, older workers, veterans, physically handicapped, and other groups.

Our Bureau of Labor Standards will promote and encourage high levels of labor standards through federal and state legislation. Most important, however, the Labor Department will encourage improvement of the living standards and working conditions of all Americans by assisting, encouraging, and inspiring people to help themselves.

The Bureau of Labor Standards and the Women's Bureau of the Department of Labor will assist the states in developing measures which will provide protection against occupational accidents, and special protection to women and youth who are in employment.

Through the various facilities of the Department—especially the Bureau of Labor Statistics, Bureau of Employment Security, and Women's Bureau—we shall assemble, analyze, and publish the greatest possible amount of reliable and unbiased economic data, so essential to planning and policymaking by employers, labor, and the government.

These are some of our goals as we look ahead. The Labor Department seeks to increase and to improve its service to the nation, the states, the communities, labor, management, and the public. We are determined to do well the job assigned to us by the President and the Congress.

The Department of Labor has a great opportunity for devoted public service. Aware of our responsibilities to the taxpayers whose money we spend and to all the people whom we must serve, we shall attempt to give the greatest possible service to the greatest possible number of people.

END



Dr. Kerr is chancellor at the University of California at Berkeley. He is former director of the university's Institute of Industrial Relations, and has served on presidential fact-finding boards

their working conditions, and to advance their opportunities for profitable employment." This purpose did not cause so much trouble in 1913 because then workers were largely unorganized and by the "labor problem" we then meant mostly the need for protection from exploitation of women, of children, of immigrants, of other groups whose members were subject to economic abuses.

But the "labor problem" today is quite different. It is the myriad relationships between well organized workers, and employers who in turn are better organized. It is economic strikes and political controversies over legislation in which organized workers and organized employers are ranged against each other. The problem is to reconcile these essential interests with each other and with the public interest.

Yet how can the Department of Labor mediate among these interests when by law it is designed to foster the welfare of one of them?

The answer might be an easy one—and that is to ignore the law and become impartial, except for an important political reality.

This reality is that organized labor is a powerful force and deserves Cabinet recognition just as much as does agriculture through the Department of Agriculture. Any President in our democracy needs easy access

to the leadership of organized labor and one way is through the Secretary of Labor.

A Republican President has a special problem because he is less likely to be popular with the unions than a Democratic one and to have less ready direct access to their leaders. Thus he is more likely to need an official link with them. It is significant that it was not President Roosevelt or President Truman but rather President Eisenhower who chose a Secretary of Labor from the ranks of organized labor; and that the last unionist in the Cabinet before Mr. Durkin (Secretary Doak) was appointed by President Hoover.

Thus the dilemma. If the Secretary of Labor is partial, he is attacked for using public position to the advantage of special interests. If he is impartial, he is attacked for losing the support of organized labor for the Administration he serves.

A possible road out of this dilemma has been suggested. This is to retain the present Department of Labor with minimal administrative functions (International Labor Affairs, the Women's Bureau, Apprenticeship, and so forth) so that there might be an American counterpart of the "minister without portfolio." The Secretary of Labor would be organized labor's spokesman in the Cabinet. But a new Department of Labor and Management Relations would also be established (there was a Department of Commerce and Labor from 1903 to 1913) to handle those delicate areas where labor, industry and public interests meet. The Secretary of the first department would be a partisan "political" appointee; and of the second a non-partisan administrator.

However, this proposal does not solve the current problem. Probably the better of the two actual alternatives is to be impartial, and those agencies of the Department which have perhaps the best general acceptance are those which have moved into a "neutral" position. For example, the Bureau of Labor Statistics has separate Labor and Management Advisory Committees (and its Consumers' Price Index is better received than at any time since it became a basis for wage adjustments) and the Bureau of Employment Security has a tripartite Advisory Council.

Equally puzzling is the question: *To be important or to be unimportant.*

This central problem of the Department of Labor is related to the first. It is something of an exaggeration to say, as the current phrase has it, that "the Secretary of Labor is the only bureau chief in the Cab-

net." The fact is that the Department of Labor has very few functions. Most of the federal work relating to the modern "labor problem" is handled by agencies outside the Department. The Conciliation Service was taken out of the Department of Labor because of the claim that the Department was not neutral. The National Labor Relations Board and the National Mediation Board (for the railroad industry) were never in it.

Partisanship has meant impotency. Only by becoming more impartial can the Department hope to become more potent. This is a hard choice for the unions to make because they want a more effective Department and yet they want the Department to be spokesman for labor. An impartial Department of Labor would, of course, be easier for labor to accept if the Department of Commerce and the Department of Agriculture were also impartial in their respective fields. These latter departments, however, do not face the same problems. Thus it is easier for them to be partial and still retain great power.

It is probably unwise to have too many agencies reporting directly to the President, as the Hoover Commission has contended. While these separate agencies understandably prize their independence, an inefficient administrative situation is created. It was as a result of a Hoover Commission recommendation (the Commission described the Department as "denuded") that the Bureau of Employment Security was placed under the Department of Labor. The Department certainly should gather within it the major agencies in the labor field. This would make for much more effective administration and centralization of responsibility.

The Secretary of Labor should also take over many of the tasks performed by John Steelman in recent years. Some labor matters will still have to go beyond the level of the Secretary of Labor to the White House (such as certain national emergency strikes) and there will probably always have to be an expert there to help the President handle them. But under the Steelman regime almost everything of importance went there and the Secretary of Labor was completely by-passed. This was difficult for the Secretary of Labor and further loaded down an already enormously overloaded White House.

Apparently President Eisenhower desires to make fuller use of the Secretary of Labor, but the past year has been such a quiet one on the

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labor front that the policy has not yet met its real tests.

These, then, are the two great procedural problems of the Department of Labor. There are also two leading current substantive questions.

1. *The Taft-Hartley Act.* The Taft-Hartley Act as now written is on its way out; and this is a good thing for two reasons. First, the act puts the government too much into industrial relations. In a nation which prides itself on free management and free unions, we have much more government interference in labor relations than in any democratic, capitalistic, industrialized nation of the world, with the possible exception of Australia.

Second, the act does not have the maximum possible acceptance by both management and labor. There is no doubt that a law can be written which will be much less of a political issue and which will gain greater mutual support, and it is necessary that such a law be written to reduce the irritation between management and labor caused by the current act.

The Administration, however, may have missed a golden opportunity to rewrite the act, because, without the support of Senator Taft, certain revisions may be more strenuously fought. On the other hand, it is now easier to place other names on the act, and, rightly or wrongly, the present names stand in the way of a reasonable compromise.

2. *Unemployment Compensation.* The adequacy of unemployment benefits has deteriorated over the years. With relatively fixed weekly maximum benefits and rising weekly wages, benefits have become a progressively smaller and smaller proportion of wages. Thus they are less and less of a cushion for unemployed workers and for the economy as a whole. The Administration has committed itself to a more adequate social security program but no progress has as yet been made.

Obviously then, the contributions which can be made in the labor field still lie ahead of the Eisenhower Administration. They include:

1. *The continued "neutralization" of the Department of Labor.*

2. *The absorption by the Department of the several related functions now lying outside of it.*

3. *The encouragement of the enactment of a labor-management act which will permit the government to interfere less and which will guide that interference in accordance with more mutually acceptable rules.*

4. *The development of an unemployment compensation program more in keeping with the times.* **END**



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NEW APPROACH TO FEDERAL AID

By OVETA CULP HOBBY

Secretary of Health, Education, and Welfare

THE RECORD of the Eisenhower Administration in the important fields of health, education, and welfare during this first year is, in my opinion, one of noteworthy administrative improvement. It has been a period in which some needed legislation was passed and the groundwork laid for more important recommendations in the months ahead.

In the course of the past session of Congress, President Eisenhower sent to the Congress ten reorganization plans, all of which were accepted.

The first of these reorganizations gave Cabinet status to the Federal Security Agency. Congressional action on this proposal is not only an important step forward in improving the administration of government. More important, it assures that these vital programs have a permanent voice in the highest councils of the nation.

How important these programs are to the people of America can be judged by a brief review of their functions.

The Food and Drug Administration has, as its primary concern, the purity and safety of the foods, drugs, and cosmetics shipped across state lines.

The Office of Education encourages the sound development of the nation's schools in a variety of ways. This year Congress authorized the Department to continue aiding "federally affected" school districts: those where federal installations, usually for defense, have cut the property tax base and overburdened the school system. New classrooms built with HEW help will house 350,000 pupils. Eligible school districts will receive operating funds to cover the expenses of about 1,000,000 youngsters this year.

By aiding state and local health departments, by supporting and conducting research into our major diseases, and by operating hospitals for the care of merchant seamen and other groups designated by Congress, the Public Health Service helps guard the health of our people.

The big, new Clinical Center of the National Institutes of Health in Bethesda, Md., was opened this year. Investigation of the causes and possible cures of the chief diseases and disabilities of man has already begun at the Clinical Center, which combines hospital and laboratory research facilities.

The Office of Vocational Rehabilitation, in partner-

ship with state rehabilitation agencies, helped more than 60,000 disabled men and women return to productive employment this year.

Many were previously on the public assistance rolls, receiving about \$600 a year. Their rehabilitation cost only about \$560 and made them self-supporting. And no price can be put on the value to the rehabilitated person himself of the chance to get back to a self-reliant, self-supporting life. Despite the soundness of vocational rehabilitation as an investment in human and community betterment, 2,000,000 disabled persons who could be restored to employment still await the skilled services that can help them back to work.

The Children's Bureau, a part of the Social Security Administration, works to foster the happy, healthy growth of our children.

In addition to its own research and educational activities, it partially supports, through grants-in-aid, the maternal and child health and child welfare programs of our states and territories.

This year, the Children's Bureau stepped up its campaign to stimulate community action against juvenile delinquency. The shocking facts brought out by Senator Hendrickson's committee have greatly increased public awareness of a problem that has long troubled the Children's Bureau and other units of the Department concerned with child welfare.

The Social Security Administration is best known, of course, for the two interlocking programs it supervises: old-age and survivors insurance and public assistance. Both are designed to afford some measure of economic protection to our people.

President Eisenhower has emphatically endorsed the extension of old-age and survivors insurance to some 10,000,000 workers who are not now covered. An Administration bill introduced in the past session of Congress would extend coverage to self-employed farmers and professional people; hired farm and domestic workers not now covered; and ministers and state and local government workers, on a voluntary basis.

Details of this bill were worked out by a representative group of consultants called to Washington to advise us. They recommended that old-age and survivors



insurance be extended to virtually all Americans, as basic retirement protection.

In 1953, for the first time, more Americans were receiving retirement or survivors benefits under old-age and survivors insurance than were receiving outright cash grants for public assistance. Those who did receive public assistance were either old and needy, blind, dependent children, or permanently and totally disabled. Only a few had built up any rights in the old-age and survivors insurance trust fund to which they could turn.

Expansion of old-age and survivors insurance protection to more of our people, as called for by the President's bill, should undoubtedly work to reduce further the need for public assistance in the years ahead.

Matching grants to the states for public assistance make up three fourths of the Department's annual appropriation. Since the federal share of these programs must match state expenditures, we actually have little effective control over this portion of our budget. It was possible, however, to effect a 13 per cent reduction in the one fourth of our 1954 appropriation that represents "controllable" expenses.

Some of our most significant work this year was the painstaking, behind-the-scenes kind familiar to anyone who ever stepped into a going enterprise to introduce changes and improvements.

We have succeeded in cutting our full-time staff to nearly 35,000, down about 1,400 since last January. Three fourths of these separations resulted from resignation and retirement. Full background investigations are now being made by Civil Service or the FBI of everyone in or appointed to a "sensitive" job in HEW.

To increase efficiency and integrate the Department, a Departmental Council has been organized. It brings our top officials together weekly to report accomplishments and consider policy decisions.

A number of task forces are taking a searching look at HEW's legislative history and present functioning. The purpose is to come up with budgetary and legislative proposals that make sense in terms of the Administration's over-all objectives. Special studies are examining such "housekeeping" costs as those for travel and attendance at conferences and meetings.

Typical of our efforts to operate as effectively as possible, in my judgment, has been our approach to the problem of improving grain sanitation. Basic to our program is the principle of cooperation with the industries concerned, as the surest way of protecting the consumer.

Then, we are coordinating our activities with those of the Department of Agriculture. A Grain Sanitation Advisory Committee, representing the public and all segments of the industry, also is studying the feasibility of various proposals to further improve the sanitary quality of grain.

Of the money HEW receives from Congress, 94 cents out of every dollar goes to the states in the form of grants-in-aid or other benefits. The forthcoming recommendations of the Commission on Intergovernmental Relations will naturally be of deep interest to our staff. I have been privileged to serve as a member of the Commission, and the Department has cooperated wholeheartedly with its study.

I cannot, of course, at this time reveal any details of the budgetary or legislative proposals relating to this Department that will be presented at the next session of the Eighty-third Congress. When these proposals are presented, I am sure they will make news.

They will also make good reading for all of us who are working toward sound social progress.

END



By GORDON W. BLACKWELL

REPLACEMENT of the Federal Security Agency by the Cabinet-level Department of Health, Education, and Welfare was a prime accomplishment of the Eisenhower Administration.

Creation of the formidably named Department was not merely a matter of doubling the number of words in its title. It meant winning over Congress which had twice refused to permit President Truman to make the same change.

Congress had balked President Truman because it was dead set against adding stature to Federal Security Administrator Oscar Ewing, generally credited with being the author of the Fair Deal's compulsory health insurance plan (denounced by its foes as "socialized medicine"). President Eisenhower succeeded, where President Truman failed, because he made it clear that neither he, nor the Secretary of his choice, Oveta Culp Hobby, wanted any part of the Ewing plan. Congress had changed its leadership, from Democratic to Republican, but essentially it was still dominated by the same conservative coalition.

The upgrading of the government's agency concerned with health, education, and welfare boosted Mrs. Hobby's stock with leaders in the three fields who for years had been advocating the move. As events turned out, it proved to be the high point of Secretary Hobby's popularity with the professionals of the three activities inside and outside the federal government.

The Texas newspaper publisher and onetime WAC commander brought wide business and administrative experience to the Cabinet job, although she had little training or experience in any of the three fields under her jurisdiction.

Mrs. Hobby got off to a good start with the people at HEW when she

MRS. HOBBY'S OUTLOOK: CONTROVERSIES EVERYWHERE

Dr. Blackwell, director of Institute for Research in Social Science, University of North Carolina, has dealt with health, education, and welfare problems from both federal and local government levels

first took over by meeting with groups of the personnel, talking with them, warming up to them.

She made some excellent appointments. Nelson Rockefeller, whom she brought into the Department as under secretary, or as Mrs. Hobby calls him, "general manager," has shown himself to be a man of strength and broad welfare interest. His efforts to build the Department internally are generally applauded. The selection of John W. Tramburg as Commissioner of Social Security, of the late Lee M. Thurston and of Samuel M. Brownell as Commissioner of Education, also revealed a talent for picking topnotch men.

The hearings on the act creating HEW disclose that, at the demand of the American Medical Association, a special assistant was provided to advise the Secretary on health and medical affairs—a position seen by some as coming in conflict with the surgeon general of the Public Health Service. Yet, here again, in selecting Dr. Chester Keefer, Mrs. Hobby chose a man held in equally high esteem by medical men inside and outside the government.

However, as against such confidence-building actions, the new Secretary has shaken morale of her Department, especially of the professional personnel, by cutting the budget for most of its programs. The funds reductions were especially drastic for travel by the corps of key consultants who are headquartered in Washington but whose contributions are most effectively made by trips to the field. Morale has been further hit by reorganization moves and reductions in force amounting to roughly three per cent.

Early in the year, Mrs. Hobby publicly announced: "We hope to have people whose political philosophy is in harmony with that of the Administration." Despite this clear-

cut warning, the professional groups in the field of welfare raised a hue and cry when the Secretary dismissed veteran Jane Hoey as director of the Bureau of Public Assistance. The episode, fought out in the press, did no good for the morale of the careerists who had risen over the years to top-rung positions in the Department.

Reorganization problems and ensuing morale problems are not unique to HEW. Perhaps they are to be expected when, after 20 years, a new Administration takes over. However, the professional personnel at HEW are additionally disturbed about the future of their programs. They don't know for sure where they—and their programs—are going.

There was President Eisenhower's promise, made in the course of the campaign, that "the social gains achieved by the people . . . are not only here to stay, but are here to be improved upon and extended." There was Secretary Hobby's declaration: "It does not follow that our defense program can be maintained only at the expense of the important social programs on which many of our people must depend."

In support of these reassuring statements has been the Administration's proposal to extend old-age and survivors insurance to some 10,000,000 Americans now not covered by this social security benefit.

Uneasy doubt, however, has been raised by other statements, such as Under Secretary Rockefeller's comment that federal health grants-in-aid to the states would be limited in the not too distant future "to unique projects which give promise of solution to special problems."

Secretary Hobby has hinted that the Administration's new approach to overhauling the grants-in-aid programs to the states in health, education, and welfare "could be one of

the outstanding contributions made by the Eisenhower Administration."

What does this mean? Does it mean, as the Administration has promised, more service for less dollars? Or does it mean, as the professionals fear, a sharp curtailment in the grants-in-aid programs, with more of the load, and the work, to be turned over to the states.

The reasoning for federal aid to the states has been based on recognition that some parts of our country having the greatest need for health, education, and welfare services have the least per capita wealth and income.

The Council of State Governments has urged that federal grants to states for vocational education be discontinued July 1, 1955, so that the states can take over the job entirely. Secretary Hobby tried to move in that direction when she cut the HEW budget for that item, but Congress hastily restored the full amount. The precipitous cut attempted by her failed to take into account the time the state legislatures would require to make up the difference. Among the professionals in the Department there is a strong belief that Mrs. Hobby intends to do away with this, and other grants-in-aid, altogether.

Congress, which restored some of the cuts made by Mrs. Hobby in the current fiscal year's budget, will have the last say in the matter of grants-in-aid. The upcoming report of the Manion Commission on intergovernmental relations will influence the action of both the Secretary and Congress.

Looking back over the year, the record shows that, in the field of health, the Administration strongly endorsed federal support of scientific research. Mrs. Hobby has referred to this program as "a close partnership between the federal government, and the medical, research and related professions, universities and medical schools, and numerous nationwide organizations of citizens." Appropriations for research through the National Institutes of Health for 1954 were increased by 21.5 per cent over the preceding year, with Congress itself lending a strong hand in

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boosting these expenditures. The opening of the new Clinical Center of the National Institutes of Health outside of Washington last summer was a milestone in the public health movement. The center was started under the Truman Administration; nonetheless, Secretary Hobby has taken great pride in its completion.

On the health action front, the Secretary, backed by the President, got Congress to empower the Food and Drug Administration to go directly into factories and plants to inspect products for purity and safety. The Administration sought the legislation after a Supreme Court ruling invalidated this power for the FDA.

Budgetwise, there were some cuts — and no increases — in health grants-in-aid programs to the states: venereal disease, 57 per cent; tuberculosis, 19 per cent; general health, 21 per cent; mental health, 25 per cent; heart disease control, 25 per cent; cancer control, 26 per cent; hospital construction, 13 per cent.

In the field of education, the Administration went to bat and obtained some of the deficiency funds the Office of Education needed to carry out its supervisory responsibilities for the education of veterans. However, the support came late, and the funds Congress finally provided were too little to prevent a temporary sharp dislocation of the bureau, marked by compulsory staff cuts, virtual cessation of publication and travel, one-week's leave without pay for all personnel. Education Commissioner Earl McGrath further dramatized the unhappy situation by resigning in protest.

This experience left the education branch of HEW with the feeling that it was the most neglected branch. The feeling was aggravated by an 8.6 per cent reduction in over-all salaries and expenses for the year; by the Administration's failure to activate the Advisory Committee on Education, which the Secretary was supposed to set up; by the complaints of the major educational organizations that Mrs. Hobby and her top-echelon assistants have largely ignored them.

Appropriations of federal funds for construction, maintenance and operation of local schools in federally impacted areas have been continued at a fairly adequate level.

The Administration avoided plunging into the controversial issue of general federal aid to education. One view is that the Administration's review of the grants-in-aid program indicates the Secretary and the President will actively oppose such a program. On the other hand, Mrs. Hobby has publicly acknowledged the nation's shortage of school facil-

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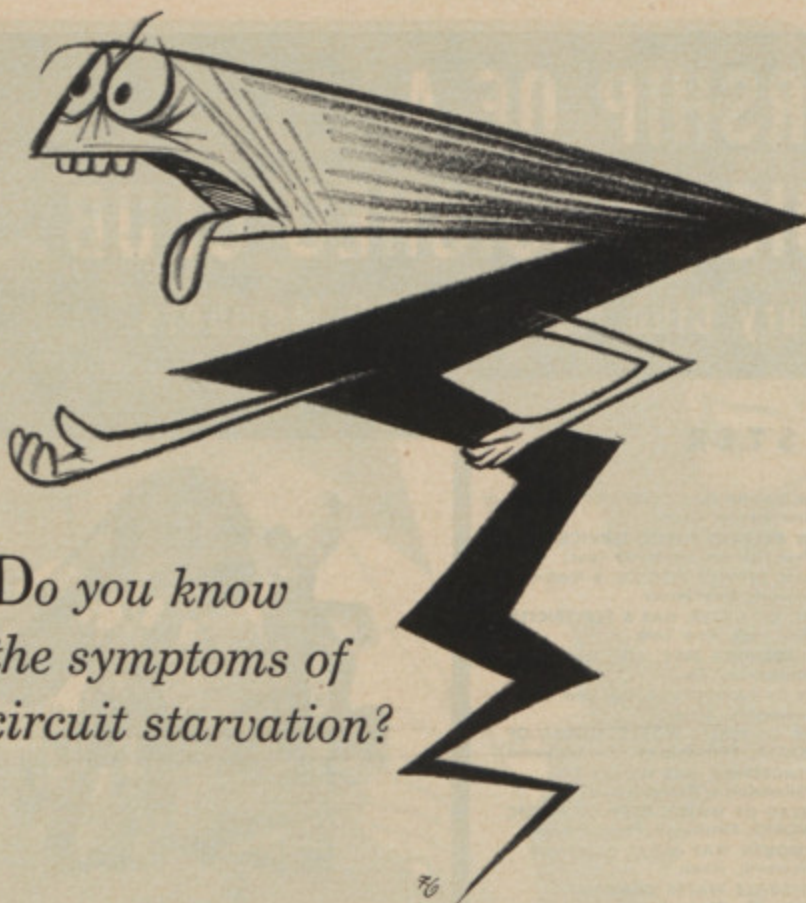
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ities as "one of the most serious problems confronting the people of the United States." Meanwhile, under authorization of Congress, the Office of Education has been conducting, jointly with the states, a nationwide survey of school facilities. Results of the survey may have an important effect on the Administration's attitude toward meeting this problem.

In 1954, the Administration can expect fights in Congress over health and education, but the big battle looms in the field of social security. The President and Secretary Hobby have been vigorous to date in their advocacy of extending the old-age and survivors insurance program to 10,000,000 more persons.

However, the plan itself must face congressional hearings and debate—and no one can safely predict whether or not a conservative-minded Congress, newly intent on asserting dominance over the executive branch of the government, will go along with President Eisenhower.

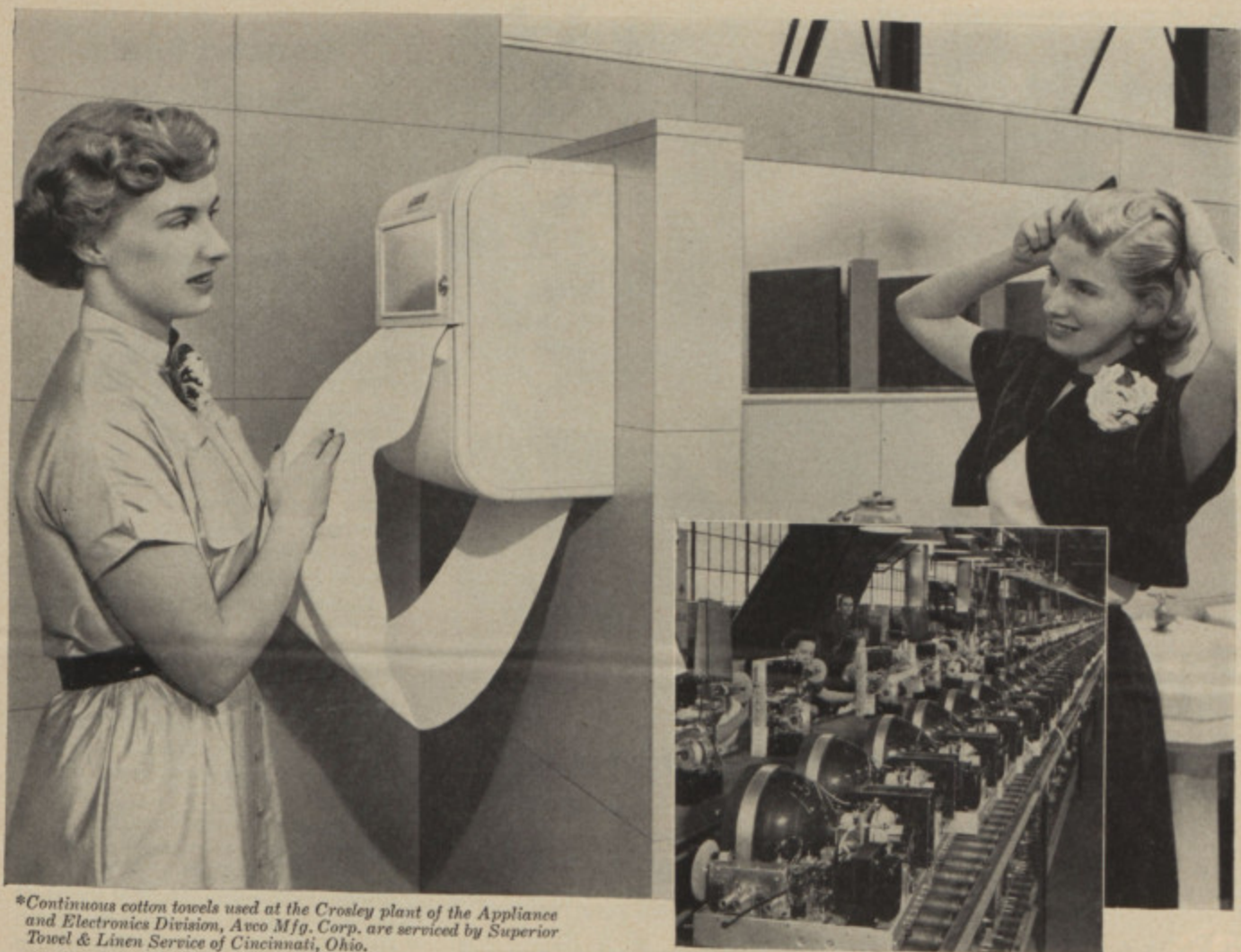
The issue of social security extension is complicated by interlocking issues, such as the rate of contribution by the employers and employees under the system. The rate, now 1½ per cent, is due to go up to two per cent this month. President Eisenhower has suggested postponing the hike; but some of the leaders on Capitol Hill—like Carl T. Curtis of Nebraska, chairman of a special House subcommittee on social security—who in the past have opposed social security extension, may oppose the President's move to stay the rate boost.

The extension issue is further complicated by a newly fanned controversy over the method of funding the OASI program.

Since 1954 is a political year, it is possible that the Administration and Congress will find it politically expedient to put off any all-out battle over the extension of old-age and survivors insurance. Even so, the Administration must make a major decision by Oct. 1, one month before the congressional elections, on what to do about the McFarland Amendment.

This amendment, passed in 1952, set up a matching funds formula for increasing federal financial participation in several public assistance programs. Should the amendment be permitted to expire, the monthly benefits now received by several million people would have to be reduced.

For the Department of Health, Education, and Welfare, the past year has been primarily one of reorganization, study, and planning. The year ahead, though, will be one for decision and action. **END**



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Benson Seeks A Middle Course

(Continued from page 57)

lemma: High rigid price supports stimulate production, call for new controls, intensify the problem of finding outlets for surpluses piling up in the warehouses of the Commodity Credit Corporation, which today has on its hands some \$4,300,000,000 worth of wheat, butter, corn and other commodities. To maintain high price levels not only increases the supply of food and the difficulty of its disposal. It also attracts more imports which, in turn, leads to pressures to curb foreign purchases, a self-defeating process since the less we buy abroad the less we can eventually sell.

Hence all the renewed interest in the "two-price" system under which domestic prices will be preserved while surpluses in wheat, cotton and rice are shipped abroad at heavy discounts. Secretary Benson leans toward some such formula. Yet a study of its pros and cons shows up its defects.

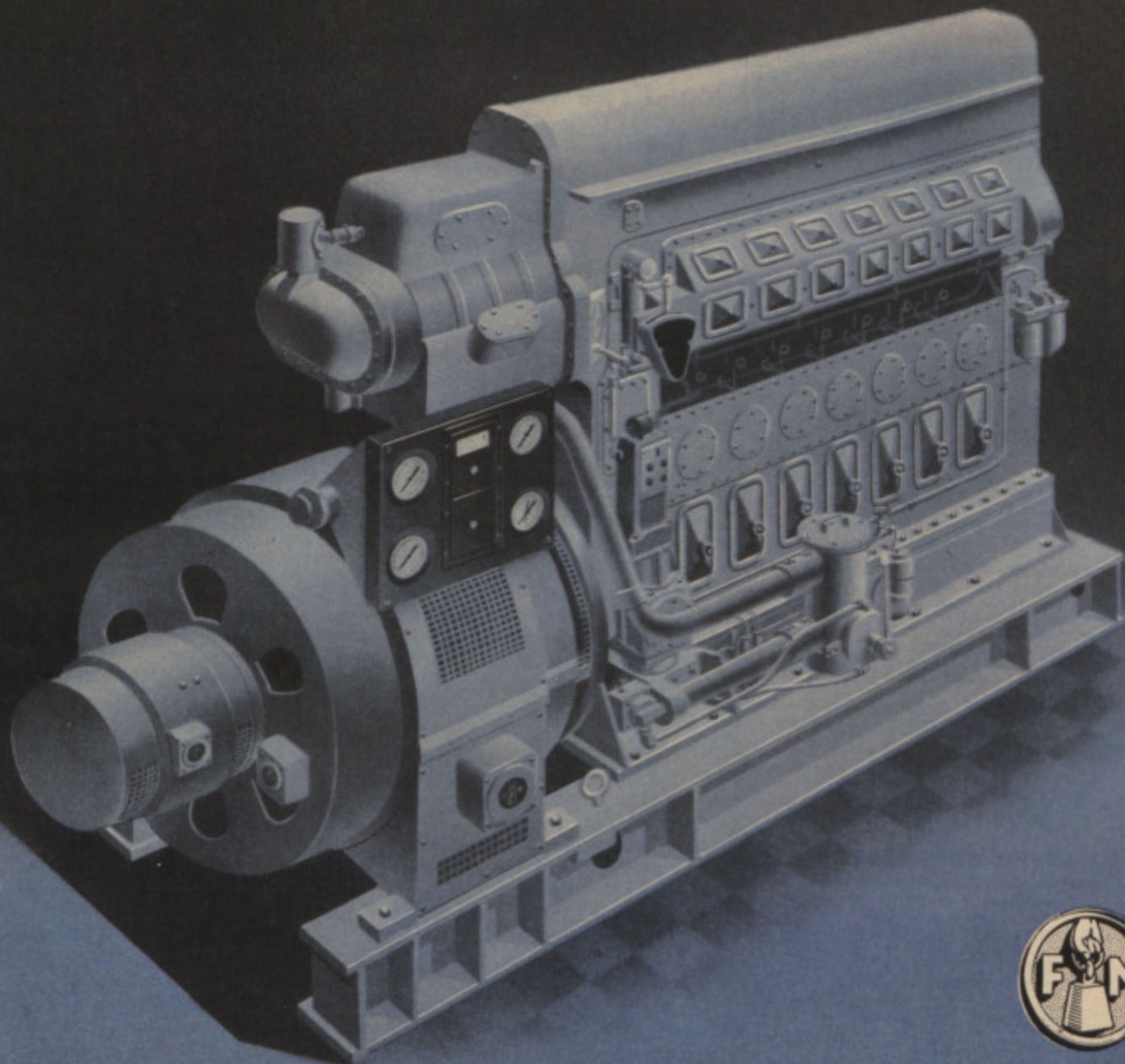
No unlimited world market stands ready to take anything and everything we might offer if only our prices are low enough. By the start of 1953, for example, most European countries had recovered from farm shortages resulting from World War II. Moreover, to sell abroad at prices far below the domestic level is often viewed as "dumping," and provokes trade retaliations in kind.

Amid the harsh realities of the present situation, marked by friction over ends and means, any Secretary of Agriculture would find himself on the "hot seat." It is impossible to occupy such a post, in such a time of transition in farm policy, and be very certain about security of tenure. While Secretary Benson has indicated that he is ready to bow out if and when his chief desires, President Eisenhower, at the present writing, is backing him up. And when we look ahead over the next year, it is apparent that the President faces a hard choice of what to do for a replacement. Would the appointment of anyone else, committed to principles which would not be popular in some quarters, really solve the difficulty?

Would the appointment of some politically minded person be construed as subordinating the development of long-range agricultural policy to voting-booth expediency?

The year 1953 marked a turning point. The year 1954 will mark the time of decision.

END



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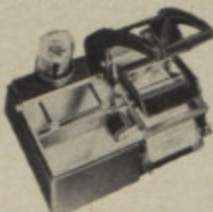
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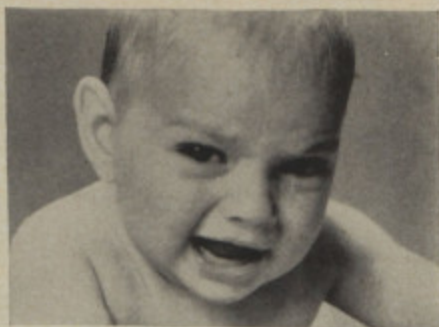
(Continued from page 23)

foreign affairs. When he was sworn in, the nation was in the midst of a continuing world crisis, which we were trying to prevent from becoming too broad a world revolution. The Truman Administration, fearful that the Korean attack portended the launching of a third global war, had vastly extended our bases and defense system in Europe, Africa and Asia. Foreign policy was the major determinant in shaping our budget policy and tax policy. It largely controlled our industrial production and trade. Our military, economic, and philanthropic commitments abroad basically affected agriculture and labor. In short, the handling of the international situation presented the crucial test of the Administration's intentions and abilities.

MANY observers were apprehensive. They remembered Republican party history and were alarmed by Ike's easy-going campaign tolerance of such controversial figures as Senators Jenner and McCarthy. For a long generation the principal Republican division had been on foreign policy. The major American parties are essentially loose composite federations, a fact which gives them special value in helping hold our heterogeneous nation together, but makes them the prey of factionalism. While Ike was a raw Kansas plebe at West Point, the party was torn between the Root-Taft-Stimson internationalists and the Borah-Johnson-La Follette nationalists. In 1952 the old division showed itself in a bitter antagonism between the world-responsibility group and the neo-isolationists.

President Eisenhower's internationalist views and wide international experience were reassuring. But did he have the determination and the political adroitness to make his attitudes effective?

The great fact which stands out in a review of the first year is that the Eisenhower Administration did meet the test—did make its internationalist views effective. During the campaign the general laid proper emphasis on America's leadership in the free world, of which he was the chief personal symbol. A week before election he said that our forces must be "the great mobile reserve of the free world." In that single phrase much was summed up: firm support of the United Nations, the develop-



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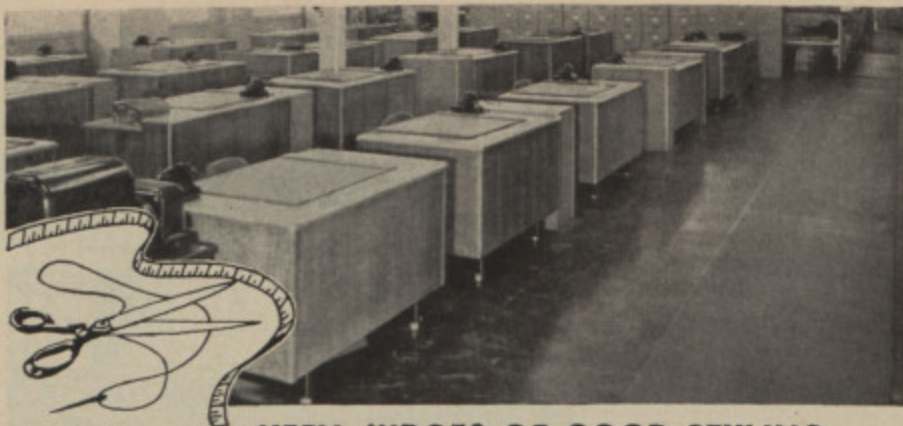
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With considerable doubt, I decided to work out something for myself. After months of experimenting and scores of disappointments, suddenly, almost by accident, I discovered how to harness four great natural laws to give me everything I wanted in a pipe. It didn't require any "breaking in". From the first puff it smoked cool — it smoked mild. It smoked right down to the last bit of tobacco without bite. It never has to be "rested". AND it never has to be cleaned! Yet it is utterly impossible for goo or sludge to reach your tongue, because my invention dissipates the goo as it forms!

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The claims I could make for this new principle in tobacco enjoyment are so spectacular that no pipe smoker would believe them. So, since "seeing is believing", I also say "Smoking is convincing" and I want to send you one Carey Pipe to smoke 30 days at my risk. At the end of that time, if you're willing to give up your Carey Pipe, simply break it to bits — and return it to me — the trial has cost you nothing.

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ment of NATO, adamant opposition to Russian encroachments, and if possible, disengagement from the Korean war—for engaged forces are not mobile.

Immediately after taking office he bade each Cabinet member make a thorough survey of his department's problems; and the President, the Cabinet, the National Security Council and others gave special attention to foreign issues. It was plain from the outset that Ike regarded foreign policy as his paramount concern, intended to continue the main bipartisan policies which Mr. Dulles had helped to define, and meant to put increased vigor into foreign action.

In perspective, this was of incalculable moment. Much was at stake in January, 1953: The fate of world freedom depended upon Eisenhower's readiness to maintain the national course. Even a slight show of reluctance or hesitation, a mild deviation, would have acted as a profound moral depressant on all the other free nations. Communism in France and Italy would have picked up hope, while democratic forces in Asia and Africa would have felt a chill. Noisy American groups were clamoring that we "go it alone." Had the Administration made even slight concessions to them, the error would have been irretrievable. President Eisenhower might have cut taxes, have hammered out successful compromises on labor issues, have given agriculture some brilliant new policies—and nevertheless, if he had faltered on foreign policy, he would have been one of the greatest failures in Presidential history.

The Truman Administration had been positive enough in foreign affairs; alertly, forcibly, and hastily positive. The Eisenhower-Dulles policy was positive in a more deliberate, planned fashion. While they kept the United Nations, the NATO program, the economic and philanthropic commitments, they gave them all some new ideas. Mr. Dulles' program for promoting the liberation of Soviet-subjugated countries, as contrasted with the old containment program, did not mean (as some thought) a program of rash adventures. Nor did his program for urging the West forward mean (as others thought) a heckling policy.

THE new positive outlook meant simply that both the USSR and Western Europe would be expected to face realistic alternatives. For Russia, the choice would be between decent concessions to world peace or much stiffer Western tactics. For our European associates, the alterna-

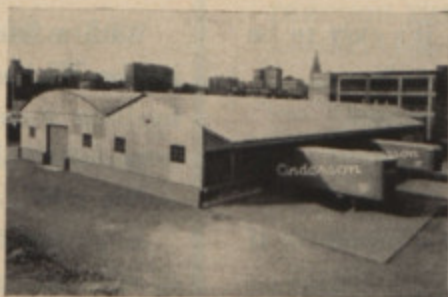
(Continued on page 88)

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Seven Basic Aims

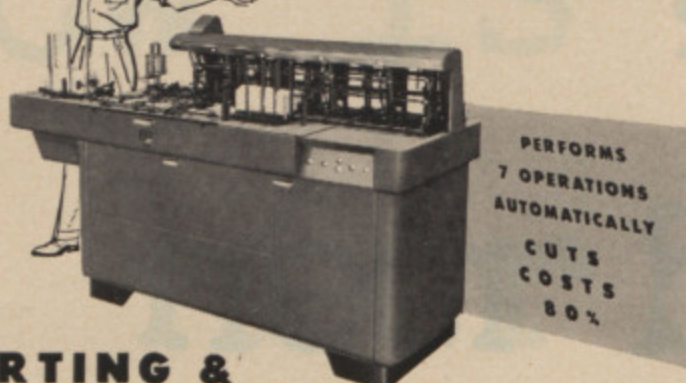
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tives would be a more energetic movement toward unity or the possibility of reduced American aid. The President on his way home from his Korean trip discussed with some of his Cabinet selections the ways of increasing pressure on the communists. In January Mr. Dulles declared in a broadcast that the United States had made a huge investment in Western Europe on the theory that its peoples could achieve unity; and if they did not, then "it would be necessary to give a little rethinking to America's own foreign policy."

If, in the Far East, the positive policy has fallen short of complete success, it has made important gains. From the start the Administration decided to heighten the threat to the communists. Its order in February permitting Chinese Nationalist forces to attack the mainland alarmed Britain, which feared the possible loss of Hong Kong, and



France, which apprehended a heavier communist thrust at Indochina. But, in conjunction with Mr. Dulles' hint to Nehru that the United Nations would intensify their warfare in Korea unless the communists moved toward peace, it also alarmed Mao Tse-tung.

The talk in Washington of a blockade of the Chinese coast, of attacks on communist air bases in Manchuria, and of a combined air-land-sea assault to cut Korea at the waist, was part of the more positive approach. It brought results. The Administration gained a truce while maintaining the refusal of the United Nations to surrender unwilling prisoners, and brought the communists into the open for preliminary peace talks. A limited gain—but a real one.

In Western Europe, too, gains have been made. The Administration has strongly supported NATO, which has prospered, and the Euro-

pean Defense Community, which has faltered. France is fearful that EDC would give Germany a dominant position in Europe, and asks from Britain a greater attachment to counterbalance German strength than the Empire - Commonwealth wishes Britain to give. The Adenauer government is strongly committed to EDC—with a companion treaty giving West Germany almost total sovereignty. Italy regards EDC as a means of regaining a secure place among European powers, but leftist opposition is strong. The Administration's much needed support of EDC remains persistent, and promises in the end to be effective.

Meanwhile, after some fumbling, the newly named Foreign Operations Administration under Harold E. Stassen promises to submit plans for an overdue reorganization of the work done by the Economic Cooperation Administration, Technical Cooperation Administration (Point Four), and Mutual Security Administration. Cooperative aid without strings is the great need and this the Executive sees more clearly than Congress. Promising also is the new streamlined United States Information Agency. It also was created after some sad fumbling. But its head, T. C. Streibert, says it will hit hard with a message, and its basic idea, an information program correlated with foreign policy planning and psychological warfare, is sound.

ALTOGETHER, the Administration, though bitterly criticized, has not lost ground in international affairs, but gained it; and foreign affairs are all-important.

On the domestic front an appraisal of the first year demands a much more drastic reservation of judgment. The charges brought against the Administration are numerous and strong and include:

1. It has not redeemed its over-hasty campaign promises to check inflation, lower taxes, aid the consumer, and protect the farmer. Rep. Noah Mason of Illinois confessed after the fall elections: "We didn't do what we said we were going to do."

2. As the year closed it still lacked a definite labor policy, had failed in its effort to use Martin P. Durkin of the AFL to help negotiate labor compromises (thus justifying Senator Taft's comment that his appointment as Secretary of Labor was "incredible"), and had not dealt with the Taft-Hartley Act.

3. With farm discontent rising, it has no clear agricultural policy.

4. It has not defined its position on foreign trade. Europe wants trade, not aid. Powerful business forces,

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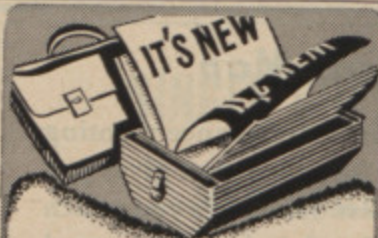
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typified by Henry Ford II, would lower tariffs drastically; other forces would raise them. By his appointments to the Tariff Commission and other acts, Ike seems to straddle the issue.

5. It is still not evident whether our defense policy is anything better than a horse-trade balancing of Army, Navy and Air demands.

6. Most important of all, the Administration lacks the inspiring quality of the really great Administrations like T.R.'s, Woodrow Wilson's, and F.D.R.'s. It sounds no clarion notes.

These charges make up a strong indictment. In its next year, the Administration will have to meet them. On its success or failure will hang the elections of 1954 and 1956, and much of its place in history. But the situation calls not for condemnation, but for a reservation of judgment. The main reasons for patience are fairly patent.

To begin with, this Administration, more than most others, is hampered by the lag between the need to



act swiftly and public grasp of that need. America has never been a Russia. The tsar, faced by angry dispute over the proper route for the Moscow - St. Petersburg railway, could place a ruler on the map, draw a straight line, and say, "Build me that road." Eisenhower cannot say to price levels, "Move down."

In the second place, some of the charges listed ignore the fact that in a complex society even small policy changes often have unexpected and far-reaching consequences, and that as Ike said in his press conference of Oct. 28, the government must con-

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sider "every possible sector of this economy." Nay, it must consider the tight-webbed world economy. It would be easy to draft a farm policy in a vacuum. Unfortunately, a problem that involves 24 major farm organizations, the Treasury, the consumers, labor, and every food-producing nation from New Zealand to Denmark, hardly goes into a vacuum bottle.

Finally, we have to consider Ike's special method of work, stemming from his long Army drill in careful staff planning.

President Eisenhower can be criticized for not dramatizing his determination to solve the great national problems according to a few fixed principles: social justice, sound economics, special aid to the underprivileged, world concord. Speeches and acts underlining the Eternal Verities may be banal, but T.R. and Woodrow Wilson proved that they really help the public morale. The Administration can be blamed for not advertising its hard work, as Mr. Truman advertised his 16-hour-a-day stints. It can be attacked for not doing more to lessen its big business coloration. But we have no right yet to assail it for giving a year's study to the realignment of national domestic policies.

IN these complex matters, general good intentions amount to little; expert practical applications are fundamental. When a young politician entering the British Foreign Office told Lord Salisbury that he hoped he would not be excessively vexed with details, the statesman replied crushingly: "My dear sir, details are everything." The new farm program has been discussed by the National Agriculture Advisory Commission, the leaders of violently differing farm organizations, soil conservationists, congressional leaders, and consumers' representatives. Trade policy has been considered by the President's Commission on Foreign Economic Policy, under Clarence B. Randall, working with economists, manufacturers, labor leaders, and merchants—the press paying close attention. So it has gone down the line. The basic principle is deliberate planning.

President Eisenhower may yet prove that this principle has more rewards than penalties; we must wait and see. No doubt many people have subconsciously compared his entry to power with Franklin D. Roosevelt's. In the 99 days of 1933, explosive and multifarious action really was needed for national recovery. "Do something, anything, Mr. President," Will Rogers urged F.D.R., adding (with an eye on the Reichstag

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fire): "If it's only to burn down the Capitol, do something!"

We are past that unhappy stage. We are well past the rapid-fire demands of the North Korean invasion. The continuing world crisis is of a character which not only permits but demands expert consultation. Sound decisions hammered out in a year of study are not merely better than snap decisions that break down in a few months; they are the only tolerable decisions. Of all the faults of American leadership, improvisation (a habit natural to a pioneer people) is the worst. What we need is the Lincolnian quality of patience united with Wilsonian expertness. Now that every shudder in our economy translates itself into hammer blows on the economies of other continents, we cannot afford carelessness.

NEITHER can we afford inaction. When the new policies are drafted, the Eisenhower Administration will have to put more force behind them than it has yet shown. The time is at hand when fighting is necessary, and the President must lead the fight. Only hard battling will write the new policies on agriculture, the tariff, foreign aid, taxation, and labor into law. The lines will not be partisan, but bipartisan. Much of President Eisenhower's best support thus far has come from the Democrats, as much of his worst opposition from certain Republicans. He will unquestionably have to fight men of his own party just as Lincoln and Cleveland, T.R. and Wilson fought them — bitterly, implacably. New Casablanca and Normandies loom ahead.

In this fighting, it will be vital to remember that popularity is a bad test of statesmanship. Every true national leader has to take for his motto: "I do not want to be liked; I want to be esteemed." Our best administrations have been desperately unpopular in wide circles. Lincoln incurred so much unpopularity that in the middle of 1864 it seemed unlikely he could be re-elected; Grover Cleveland lost most of his party to the Bryanites; Wilson and the two Roosevelts were venomously cursed even as they carried out their most statesmanlike measures. If President Eisenhower thus far has shown a salient weakness, it is that he wishes too much to be liked. In the long run, the mass of the people admire a President most for the enemies he has made.

As the Administration moves past "government by postponement" to "government by action," it will need not only fighting courage but another quality not yet much in evidence — imagination. Thus far it has conspicuously failed to give the country

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striking, new creative acts. This deficiency is the more evident because President Eisenhower's personality lacks picturesqueness. He is always impressive, and in such utterances as the foreign policy speech of April 16 reaches an admirable elevation. But thus far he has not proved vibrantly interesting like Andrew Jackson and T.R.; he lacks the warmth, eloquence, and evocative power of Lincoln; he does not possess the intellectual incisiveness of Wilson. Somewhere in the Administration and perhaps in Mr. Eisenhower himself, gifts of imagination must lurk. Let it be remembered that the imaginative act is not only good in itself, but for what it displaces. When imagination is wanting, politicians are tempted to fill the void with something.

The most encouraging and imaginative approach to major problems thus far was provided by President Eisenhower's outline of a new plan for developing world control of atomic resources, presented in his speech before the United Nation's Dec. 9.

This plan, approved by the heads of the British and French governments, seized for the United States the leadership in dealing with the most terrible and exigent issue of modern times. It drove a bold path around obstacles that had apparently become insuperable. It presented to Russia a challenge which she could meet only by general acquiescence in Mr. Eisenhower's principle, thus immensely enhancing the world's hope of peace, or by rejecting it, at the cost of losing the support of all intelligent neutrals throughout the world.

FOR the time being the domestic scene may well become more prominent, the foreign scene less exigent. But, for the future in general, the stormy world theater will remain the Administration's primary consideration, and domestic questions will be subsidiary to the central issue of the grim contest between the free world and the communist world.

Sweeping changes are undoubtedly in gestation. The death of Stalin has created vast uncertainties. The rise of Asia to freedom and power is upsetting old equilibriums; and Africa stands behind Asia, ready to help change the face of civilization. Well it is for the nation and the world that already one achievement of the Eisenhower Administration is secure: the maintenance of a vigilant, resourceful world leadership. Well it is for civilization that we have a leader whose experience of world affairs is so large, and whose fundamental instincts are so sound.

END



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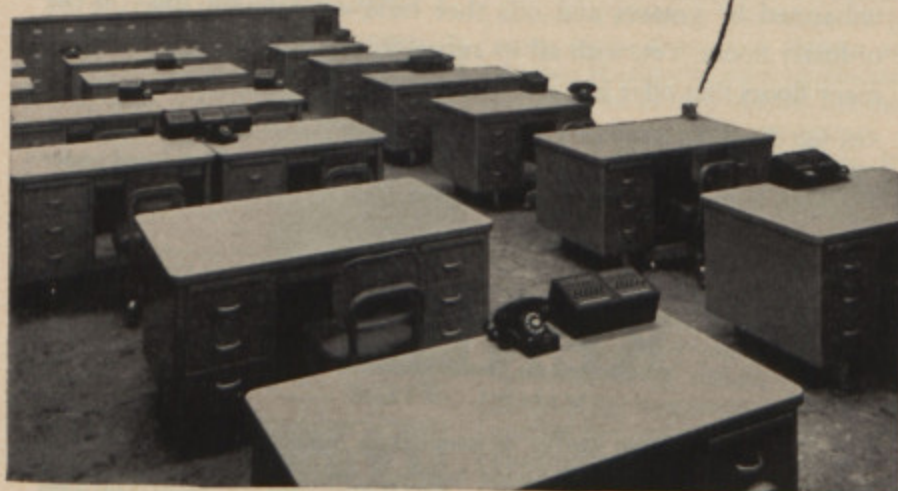
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Good Men — Good Lawyers

(Continued from page 41)

Brownell is qualified to run the Department as a lawyer. Yet if he is to do it as a lawyer, he must maintain a judicious position, he must show a fine sense of the responsibility of his office in the administration of justice, and great care in the use of language in his public statements.

Reference may be made, for example, to the matter of the National Lawyers Guild. This is an organization which has been said to be subversive by legislative committees, but it was never included on the so-called Attorney General's list. Last August, in a speech before the American Bar Association, Attorney General Brownell announced that he was ordering the Guild to show cause why it should not be on the Attorney General's list. The press took this as an announcement that the Attorney General had found the Guild to be subversive. Yet this was not the case.

And who will decide? Eventually the Attorney General himself. It would seem that public announcement in such a case should be withheld until the decision has been made.

The most spectacular instance of badly chosen language came in the Harry Dexter White matter. The Attorney General here was acting much more as a politician than as a lawyer. He did not show that scrupulous care in making his original announcement which an important legal officer should observe in making charges of the gravest nature. Mr. Brownell appears to have had a good case. But he weakened it sharply by overstatement and by the apparent political basis of its timing.

Looking ahead, the Attorney General faces some major problems in 1954. Reflecting the Administration's belief that the government must move more positively to protect itself against subversion, he is advocating two fundamental changes in our national law. One would grant immunity to witnesses for possible self-incrimination in cases where they give up the right to refuse to testify under the Fifth Amendment. The other change would legalize in the federal courts evidence gathered by means of wire tapping in cases involving espionage and security. These two proposals, with their profound implications for basic concepts of American justice, are bound to be the objects of searching scrutiny and national debate.

END

From Paternalism to Partnership

(Continued from page 51)

handle the development of their resources. Instead, he thinks that there is ample authority in the traditional types of government and in his partnership plans to carry out the same purposes with greater responsiveness to local wishes.

The Secretary's action in withdrawing the Interior Department's opposition to the private power development on the Snake River in the Northwest prompted charges that he was an enemy of public power. His reply was that it was the Federal Power Commission that had the authority to decide whether the development should be handled by the Idaho Power Company, a private utility, or by the Reclamation Bureau at Hell's Canyon.

This attitude was consistent with Mr. McKay's view that the Interior Department should not be an aggressive advocate of public power. But he also gave his own opinion that the private company would be able to start producing power earlier and would save the government the huge investment that the Hell's Canyon project would require.

Since Congress did not authorize the Hell's Canyon project, even under the Democratic Administrations, the Secretary does not believe it is likely that the Republicans would do so in view of their increasing concern about public spending and the federal debt.

Under Mr. McKay's direction, the Department also is opening up more public lands to mineral exploration and mining leases and eventual private ownership. Under this program, the Department is reviewing past orders that set aside certain public lands for specific purposes, such as reclamation or power sites, with a view to canceling those no longer needed or used. Such cancellations will make these public lands once more available for other purposes, such as mineral exploration.

In addition, the Department plans to step up its survey operations so that it will be able to complete the transfer to certain western states of lands granted to them upon their admission to the union. In this case, too, the states and private business are obviously thinking about the resources that will become available when these transfers are concluded.

The Department also is asking private business to do more soil and moisture conservation work on a contractual basis so that it will not need

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to maintain its own crews and equipment. Private enterprises which use the public lands are among those which are being urged to take over this type of work.

Like his boss, President Eisenhower, Secretary McKay goes in strongly for study committees to evaluate programs and agencies in his Department. One recommended many features of the Reclamation Bureau reorganization—and particularly the shifting of more technical personnel to the field. Reports from similar committees will pave the way for policy changes and reorganizations.

The Secretary is sympathetic to criticism of the condition of the national parks. He agrees that much more federal money could be spent on national park maintenance and repair, but he blames the previous Administrations for not having done a better job of maintenance. At the same time, he has recommended increased appropriation because of the need to cut federal spending.

When the controversial "tidelands" issue came up in the first session of the Eighty-third Congress, it was consistent with the McKay philosophy to support the states' rights argument that swept the issue to victory. He got into the issue because his Department will handle the leasing of the submerged lands beyond the states' coastal boundaries.

As a result of a hand-shaking tour on which he visited most of the nation's Indian tribes, Mr. McKay's Commissioner of Indian Affairs, Glenn Emmons of Gallup, N. M., has recommended that many tribes be given opportunities to become self-supporting American citizens.

Secretary McKay agrees with this aim, but also feels that not all Indians are ready for assimilation. But, if safeguards can be set up for their economic assets and it is otherwise feasible, you can look for more moves to free Indians of federal regulations and control.

In line with other federal agencies, the Department also is getting out of business activities and turning others back to the states. For example, it is selling its Bluebeard's Castle Hotel in the Virgin Islands and negotiating for sale of California's Central Valley project to the State of California.

In the session just ahead and in the 1954 congressional campaign, Mr. McKay's policies are certain to become controversial issues. But unless Congress itself should write a new directive to him, which is highly unlikely, he can be expected to continue pursuing his "partnership" plan for natural resources development.

END

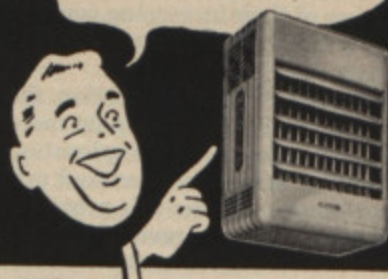


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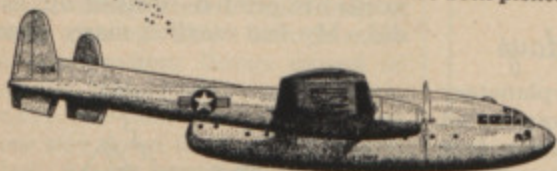
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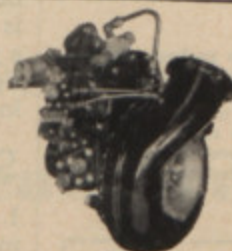
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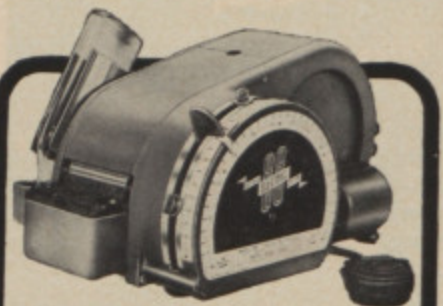


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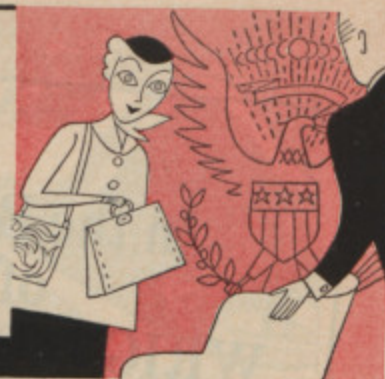
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By My Way

BY MY WAY



Secretary Hobby's chair

THE FACT that this seems to be a Cabinet issue of NATION'S BUSINESS reminds me that I was recently studying an unofficial "Table of Precedence," which was drawn up for the benefit of Washington hostesses. Socially speaking, the Secretary of State is the eighth most important person in Washington, the Secretary of the Treasury is the twelfth most important, and so on down to Mrs. Hobby, who comes twentieth. According to these rules Mrs. Hobby shouldn't sit down at Cabinet meetings until everybody else has. But I am willing to bet a dozen caraway cookies that if Mrs. Hobby comes in late all the other Cabinet members, and perhaps the President, too, jump up to see who will pull her chair back.

Moon express: four days

THE BRITISH Interplanetary Society takes itself so seriously that it has worked out a timetable: four days to the moon, five months to Venus, eight months to Mars, 50 years to Pluto. Some day this will not seem funny. There may even be interplanetary commuters, and a husband may telephone his wife he is taking the late rocket and will be a year or two late. But I'm not going. I'd be afraid of running into a cow in the Milky Way.

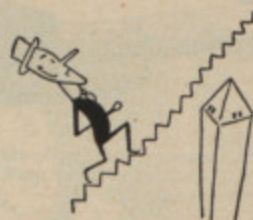
Speeches for sale

I AM in receipt of an offer from a midwestern outfit which will provide me with words for every occasion, either ready-made or tailored to my measure. I can buy a set of speeches from this concern with the assurance that nobody else in my community will have the same set, and this, I think, is comforting. The cost is not great, measured by the minute. For \$1.50, for example, I can get the exclusive rights in my town to a five-minute oration, which will please everybody—because what five-minute oration ever didn't please

everybody? I see nothing immoral in this situation. But though I have two speeches to make during the next few weeks I am not going to buy any. My way of winning the good will of my audiences is to gain their sympathy, and I do that by persuading each member that he could make a better address without half trying. He is usually right, and it doesn't even cost me \$1.50 to make him think so.

Walking up the Monument

WHEN the Washington Monument's sixty-fifth anniversary was celebrated last fall 27,377,732 persons had visited it, one of whom was I. What I am now wondering about is how many persons among the 27,377,732—and of course the number will be larger by the time these words are printed—walked up, as I did. My feat startled many of my



friends, who would have thought nothing of walking up a 3,000 foot mountain but were horrified at the mere mention of ascending a 555 foot winding stairway. I hope the simple words, "Conqueror of the Washington Monument," will be inscribed on my tomb—but not very soon. I think I shall climb it again on the fiftieth anniversary of my first ascent, if the doctor says I may.

Vanilla almost wins

THE Wall Street Journal states that ice-cream makers say that 44 out of every 100 customers prefer vanilla. That was what most of us tottering ancients were brought up on. I was almost old enough to vote before I knew there was any other kind. That was what I got when I turned the freezer 410 times by hand and was

allowed to lick the dasher. Why doesn't some restaurant or soda-stand serve ice cream on dashers? It never tasted so good any other way.

Push-button world?

THE push-button factory, I am told, is coming nearer and nearer. I don't suppose anybody is ever likely to get up and say that push-buttons are being exploited under the cruel capitalistic system, and so everybody ought to be happy. But I worry—I am, indeed, the worrying sort. Who is going to work in the factories that produce the push-buttons? Maybe what will happen will be that enough push-buttons will be produced to set all the factories working, and after that the human race can go fishing, returning every now and then to pick up fish hooks or other things it needs at the factory doors.

The square-dancing train

I DON'T know how long the square-dancing season lasts, but for a while there ran out of the Grand Central Station, in New York City, a Square Dancing Train. The cost for the round trip was a little more than \$6, I believe. I did not go. But I have done square dancing in my time. In Waterbury, Vt., when I was an extraordinarily bashful high school student, we called those dances promenades. For me they had the advantage that I could look at pretty girls but didn't have to make up conversation; things moved so fast that before you could remark, wasn't the floor nice tonight, you were way down the line somewhere. Alas! As my conversation has improved my dancing has deteriorated.

A crumb for the birds

I KNOW that English sparrows are a tough breed, because I have been acquainted with some of them. Sparrows are more engaging than starlings, I think; they are more imaginative, for one thing, and they have a sense of humor, which starlings lack. Pigeons are all right, too. I don't know what I would do without the pigeons that come and sit on my office window sill, ten stories above the street, and strut up and down and stare at me. The pigeons take my mind off my work, which at times is a good thing. For all these reasons I was glad to learn that as austerity recedes in Britain it is no longer against the law "willfully or negligently to damage or throw away food fit for human consumption." This had been taken to mean one could not legally throw crumbs to sparrows, starlings or pigeons, and I

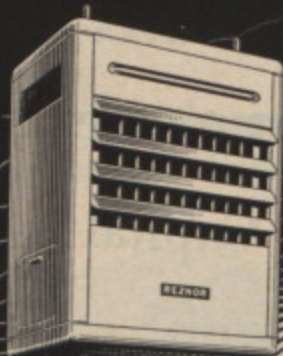
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imagine (though the dispatch did not say) that many a kindhearted Briton has languished in the Tower or had his head cut off because he fed hungry birds. This will not happen any more. I find it cheering.

What if a screw gets loose?

A PROFESSOR at the University of Iowa is reported to have invented a machine that will ascertain and register the results of certain types of examination tests at the rate of 1,400 a minute. But what we really want, of course, is a machine that will speed up the rate of learning how to pass examinations, though perhaps not to 1,400 a minute.

The old school bus

WHEN I went to grammar school I walked. Since we were never more than a mile away from the school and often only a half or quarter of a mile or less, this was not a hardship. We boys didn't so consider it, for, like Tom Sawyer, we could have adventures on the way. In winter we might take our sleds, in the fall steal apples or have a crab-apple fight, in spring just dawdle and be glad. Now, as I learn from "Facts and Figures" (a publication of the Automobile Manufacturers' Association) 28 per cent of all our public school students travel in buses. A cluster of children and an apprehensive dog, with a lonesome day ahead of him, waiting for a bus, are a part of our normal country and small-town life. And in decades to come many grownups will remember the little old yellow bus as their grandparents remembered the little old one-room school house.

1953 went thattaway

AS FOR 1953, it was gone almost before I had begun to keep notes on it. So it happens, if I may quote the late and beloved Will Rogers, that about all I know about 1953 is what I read in the papers. For myself, and



I suppose for many others, it had its good points and its bad points. I had some exceedingly happy moments, and that is a good dividend in any life in any year. And now, by the time this paragraph has been widely distributed, 1953 will be no more. All I can say is, it went thattaway.

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It's the law

AS REPORTS from the 1953 sessions of state legislatures come in, it is obvious that law making calls for a wide range of information on some fairly bizarre subjects. The measures considered and their disposition, as reported by Commerce Clearing House, included:

Connecticut made it illegal to tattoo a minor; Georgia authorized the sale of growing plants on Sunday; Massachusetts rejected a proposal to permit transportation of poultry in motor trucks on Sunday; Delaware limited fox hunting on Sundays but declared it lawful to kill a fox on any day if it was pursuing poultry.

North Dakota banned the removal from any municipality of a building on which taxes were due; an Arkansas legislator's proposal to tax bachelors \$750 a year was referred to the Committee on Conservation of Natural Resources; Wisconsin rejected a measure to define the words "may" and "shall"; Maryland repealed an old statute providing 40 lashes for wife beaters. It also repealed special penalties for fighting duels, exhibiting apparatus for smoking opium and attending meetings to promote the state's secession from the Union.

Perhaps too enthusiastic was the Tennessee legislator who introduced a bill to repeal every law on the books of that state.

It did not pass.

The right tool for the job?

THE BUILDING industry has progressed mightily in every operation except the ground-breaking ceremony that begins a new project. For that some official poses awkwardly with a shovel "turning the first spadeful of earth." If possible, a film starlet or beauty contest winner is dragged in to attract photographers and populace.

Kersey Kinsey, head of the Kersey Kinsey Company, Studio City, Calif., recently rebelled against this operational cliché. Signed to build Allied Van Lines' new west coast terminal in North Hollywood, Mr. Kinsey suggested that, if ground

must be broken in some spectacular fashion, a California gopher, well known for its ground-breaking propensities, should break it.

A newspaper ad offering \$12.85 for a functioning gopher inspired Jim Dannaldson, a nursery worker, to a successful gopher hunt.

With suitable ceremony the beast was turned loose on the site. Apparently it shared Mr. Kinsey's opinion that such rites were nonsense. It refused to dig.

Fortunately, a bulldozer, conveniently at hand, had no such scruples.

Company school with college credit

THERE'S at least one college in the United States whose alumni don't have to hunt jobs after graduation. In fact every student must have a job before he can enroll.

There are no entrance examinations; attendance is voluntary; tuition and text books are free; and the laboratory is one of the world's largest specialty paper mills.

The Crown Zellerbach Paper School in Camas, Wash.—population 4,725—in 20 years has grown from an elementary class to a four-year course, with 12 faculty members, three regents and an administrative staff of four persons.

Any company employee can attend. Students' ages run the scale from 18 to 70. Some never completed grade school; a few have Ph.D. degrees.

The school's purpose is to teach paper making—from the growing forest to the finished product in use by consumers. The standard class covers 20 weeks. Classes are held at night.

The University of Washington and Oregon State College allow academic credit to those who have completed the four-year course. The school's graduates total almost 3,000.

One less job for Uncle Sam

THE NATIONAL CHAMBER, with the cooperation of the secretaries of the 48 state chambers, has just issued the 1954 edition of "Special Days, Weeks and Months"—a handy promotion tool for retailers, wholesalers, manufacturers, cham-



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You can help, too—and active support of your chamber will help you

Under the old system the earliest the findings could be released was the first week of the next month.

Model bank for trainees

ONE of our scouts, just in from New York, reports that he has found something new in banking—an institution which has \$50,000,000 in deposits, operates five days a week and has a staff of 75.

The odd part is that it has no customers and uses only stage money.

This peculiar establishment was set up by the National City Bank of New York to provide authentic training experience for new employees.

Each business day, for instance, trainee tellers draw \$4,000 in stage money. During the day, each of them can expect activity up to \$40,000 in the form of deposits, withdrawals, payments against loans and checks cashed. When the "bank" closes at three o'clock, tellers must prove cash, deposits and controls.

In other departments trainees process earlier transactions and perform the actual duties they will be handling when the training ends. The course runs from one to five weeks depending on the job.

C. R. P. Rodgers, assistant cashier of National City and president of the model bank, believes the project will not only teach the "what" and "how" of various jobs but also emphasize the "why."

A taxing problem for Washington

THE Internal Revenue Service is scratching its head gently over the actions of the Little Theater in Columbus, Ohio. A year ago the management put an "Admission Free" sign on the marquee, and meant it. Since then the theater has charged no admission although a fish bowl near the entrance makes it convenient for patrons to contribute whatever they think the entertainment was worth.

Oddly, more adults than children avoid the bowl.

The plan has tripled sales at the concession stand and doubled attendance—although the management reports that the public won't come to see poor movies, even for free.

Meanwhile the government ponders the question: Are voluntary contributions subject to the 20 per cent admissions tax. Local tax men washed their hands of that one. They suggested that the theater pay the tax on the money taken in and then apply for a refund if Washington headquarters ruled that the levy did not apply.

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Harry A. DeButts, President, Southern Railway System

NATION'S BUSINESS IS READ BY MORE EXECUTIVES THAN ANY OTHER BUSINESS OR NEWS MAGAZINE



INTERNATIONAL NEWS PHOTO

PRESIDENT EISENHOWER ADDRESSING THE UNITED NATIONS

Against the dark background of the atomic bomb, the United States does not wish merely to present strength, but also the desire and hope for peace.

The coming months will be fraught with fateful decisions. In this assembly, in the capitals and military headquarters of the world, in the hearts of men everywhere, be they governed or governors, may they be the decisions which will lead this world out of fear and into peace.

To the making of these fateful decisions, the United States pledges before you—and therefore before the world—its determination to help solve the fearful atomic dilemma—to devote its entire heart and mind to find the way by which the miraculous inventiveness of man shall not be dedicated to his death, but consecrated to his life.

To hasten the day when fear of the atom will begin to disappear from the minds of the people and the governments of the East and West, there are certain steps that can be taken now.

I therefore make the following proposal:

The governments principally involved, to the extent permitted by elementary prudence, to begin now and continue to make joint contributions from their stockpiles of normal uranium and fissionable materials to an international atomic energy agency. We would expect that such an agency would be set up under the aegis of the United Nations. . . .

Any partner of the United States acting in the same good faith will find the United States is a not unreasonable or ungenerous associate.

Undoubtedly initial and early contributions to this plan would be small in quantity. However, the proposal has the great virtue that it can be undertaken without irritations and mutual suspicions incident to any attempt to set up a completely acceptable system of world-wide inspection and control.

The atomic energy agency could be made responsible for the impounding, storage and protection of the contributed fissionable and other materials. The ingenuity of our scientists will provide special safe conditions under which such a bank of fissionable material could be made essentially immune to surprise seizure.

The more important responsibility of this atomic energy agency would be to devise methods whereby this fissionable material would be allocated to serve the peaceful pursuits of mankind. Experts would be mobilized to apply atomic energy to the needs of agriculture, medicine, and other peaceful activities. A special purpose would be to provide abundant electrical energy in the power-starved areas of the world. Thus the contributing powers would be dedicating some of their strength to serve the needs rather than the fears of mankind.

The United States would be more than willing—it would be proud to take up with others principally involved the development of plans whereby such peaceful use of atomic energy would be expedited.

Of those principally involved the Soviet Union must, of course, be one.



THIS MEANS YOU

THE federal government deals with national policy—an ethereal field that seems to have only vague connections with the alarm clocks, current bills and belly-aches of everyday living.

For most of us the possibility of an extra ten dollars in next week's pay envelope is of more urgent interest than anything the government might do to hold the friendship of Greece. The point where Greek friendship impinges on the ten dollar prospect is obscure and the arguments that one affects the other are tedious and complicated.

Conan Doyle put the reason for this into the mouth of Sherlock Holmes.

"Most people, if you describe a train of events to them, will tell you what the results would be," he said.

"There are few people, however, who, if you told them a result, would be able to evolve the steps which led up to that result."

So it is in government.

What happens in Washington is the result of a train of events that begins on the supper tables, in the purses, the schools, the retail stores, the sick beds of ordinary people.

When Washington acts, the effects return to the homes, the stores, the farms where the action was inspired.

When government officials, in the pages of this magazine, explain what they are trying to do, they are not reporting to the world's leaders. They are, in fact, describing actions taken or anticipated which will affect the health, happiness and prosperity of every one of us.

The terms of the discussion may frequently seem remote from the family living room. They're not.

"Monetary policy" is as personal as our life insurance policies or the mortgages on our homes.

"Foreign trade" can measure the competition we may expect from a Frenchman, a Brazilian or a Portuguese when we go into the market either as buyer or seller.

"National defense" is as near as the local draft board.

Except for this intimate association with everyday life, this issue of NATION'S BUSINESS would be merely a spectacular tour de force, providing source material for future historians.

For those who take the trouble to reason from results backward through the steps which brought those results it is much more than that.

No one, of course, will find here an absolute guide to a way of life.

But thoughtful people will learn the hopes and intentions of the men who make up the executive department of this government which, because it remains a people's government, is still subject to their will.

The Cabinet members whose names appear here know that. In daring to put their program on the line for discussion they demonstrate the courage of their convictions and their willingness to listen.

Each of them was told that side by side with his article would be another evaluating his efforts.

The fact that such exceptions can be taken and a magazine can print them without fear of reprisal is not the least important measure of the soundness of our government.



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Awards that foretell your gain

Chemicals from coal hydrogenation...

...acclaimed the 1953 Chemical Engineering Achievement!

IN 1933 Carbide received the first Chemical Engineering Achievement Award. This recognized the beginning of commercial production of much-needed chemicals from petroleum and natural gas—which proved to be the beginning of the American petrochemical industry.

HISTORY REPEATS—Now, just twenty years later, Carbide has received the 1953 Chemical Engineering Achievement Award for “the first successful production of chemicals from coal by a high pressure hydrogenation process.”

In minutes, coal becomes gases and liquids rich in needed chemicals—“one of the major contributions in this century to the well-being of us all.”

Some of these chemicals are used in making plastics, synthetic rubber, pharmaceuticals, vitamins, and many other things. Others are completely new and hold great promise.

FOURTH RECOGNITION—Carbide is the first two-time individual recipient of this award. It also is the fourth time the people of Carbide have been recognized, for they shared in two previous group awards—in 1943 for synthetic rubber, and in 1946 for atomic energy.

TRUE SIGNIFICANCE—As in all Chemical Engineering Achievement Awards, coal hydrogenation was recognized not as the accomplishment of any one individual but as the result of the cooperative efforts of many.

The people of Union Carbide appreciate the recognition of their achievement by the distinguished Committee of Award, composed of senior chemical engineering educators.

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